

**CITY OF FRANKLIN, LOUISIANA****Financial Report****Year Ended April 30, 2010**

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Release Date 1/26/11

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# Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

## INDEPENDENT AUDITOR'S REPORT

The Honorable Raymond Harris, Mayor  
and Members of the City Council  
City of Franklin, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana, as of and for the year ended April 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Franklin, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data of the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units that would have been reported is not readily determinable. In addition, the assets, liabilities, fund balances, revenues, and expenditures of the aggregate remaining fund information would have been increased by an amount not readily determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Franklin, Louisiana as of April 30, 2010, or the changes in financial position thereof for the year then ended.

Eugene H. Darnall, CPA, Deceased 2009

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As noted in Note 14 the annual pension costs and net pension obligations for certain employees are not computed nor reported in accordance with accounting principles generally accepted in the United States of America. The effect of this departure from accounting principles generally accepted in the United States of America on the financial statements cannot be reasonably determined.

In our opinion, except for the effects of not providing for the proper amount of pension expense and related required disclosures as discussed in the preceding paragraph, and the expenditures that we were unable to obtain sufficient audit evidence to support, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Franklin, Louisiana, as of April 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2011 on our consideration of the City's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 57 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Franklin, Louisiana's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "*Audits of States, Local Governments and Non-Profit Organizations*," and is not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is

fairly stated in all material respects in relation to the financial statements as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Dannall, Sikes, Gardes & Frederick*

A Corporation of Certified Public Accountants

Morgan City, Louisiana

January 14, 2011

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

The Management's Discussion and Analysis (MD & A) of the City of Franklin's (City) financial performance provides an overall review and an objective, easily readable analysis of the City's financial activities for the fiscal year ended April 30, 2010. The intent of the MD & A is to look at the City's overall financial performance and to assist in assessing the financial position as a result of the year's operations. Therefore, readers should read the MD & A in conjunction with the City's Financial Statements and the Notes to the Financial Statements.

### FINANCIAL HIGHLIGHTS

The City's assets exceeded its liabilities by \$13,310,503 (net assets) for the fiscal year reported. This is a \$369,075 decrease compared to last year's \$13,679,578 and \$169,524 less than 2008. Total net assets are comprised of the following:

1. Capital assets, net related debt, of \$9,209,177 of which include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
2. Restricted net assets of \$759,075 of which include \$485,737 for Debt Service and \$240,774 for Capital Additions and Contingencies and \$32,564 for Perpetual Care.
3. Unrestricted net assets of \$3,273,866 represent the portion available to maintain the City's continuing obligations to the citizens and creditors.

Overall, the City financial position is decreasing due to economic conditions. The economy of the City of Franklin, similar to the State of Louisiana as a whole, is showing signs of a downturn. This downturn in the economy is now affecting the revenues of the City of Franklin. The City of Franklin's assets have steadily increased 2006-2009. However, this is the first year in the last five years that the City of Franklin has seen a decrease in its assets, while its liabilities have increased.

The above financial highlights are explained in more detail in the financial "analysis" section of this report.

With the implementation of Governmental Accounting Standards Statement No. 34 a government's presentation of financial statements has been significantly changed. The new statements focus on the government as a whole (government – wide) as well as individual funds. Both perspectives (government – wide and fund) allow the reader to address relevant questions, broaden a basis for comparison and aid in enhancing the City's financial accountability. The basic financial statements include: (1) government – wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

#### GOVERNMENT – WIDE FINANCIAL STATEMENTS

The City's annual report includes two government-wide financial statements. These statements provide both long term and short term data about the City's overall financial position. Financial reporting at this level uses a perspective similar to that of the private sector with its basis in accrual accounting and reclassification of activities between funds.

The first statement of the government-wide financial statements is the Statement of Net Assets. This statement presents data on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The second of the government-wide statements, is the Statement of Activities. This statement presents data showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of the timing of the related cash flow. Therefore, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The focus of the Statement of Activities is to reflect the gross and net cost of various activities that are provided by the government's general tax and other revenues. This is intended to summarize governmental services and business-type activities.

Both government-wide financial statements distinguish activities of the City that are principally supported by sales taxes and from business-type activities that are intended to recover all or a significant portion of its cost through user fees and charges. Government activities include general government, public safety, streets and drainage, culture and recreation, sanitation services, urban redevelopment and housing, and economic development and assistance. Business-type activities include the water utility system.

The government-wide financial statements are presented on pages 13 - 16 of this report.

#### FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while others are combined in a single or aggregated presentation. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

"Governmental funds" are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short term fiscal accountability focusing on the use of available resources and balances of available resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of available resources for the near term.



## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

Since the government-wide focus includes the long term view, comparisons between the two perspectives may provide insight into long term impact or short term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between the two perspectives.

The basic governmental fund financial statements are presented on pages 17 – 19 of this report.

“Proprietary funds” are reported in the fund financial statements and generally report services for which the City charges customers a fee. The one City proprietary fund is classified as an enterprise fund. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government wide statements. Services are provided to customers for water services.

The enterprise fund financial statements are presented on pages 21 – 25.

### NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide data essential to a full understanding of the government wide and fund financial statements. The notes to the financial statements are presented on pages 28 – 55.

### OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary data concerning the City's budgetary presentations. Budgetary comparison statements are included as “required supplementary data” for General Fund and Liquid and Solid Waste Fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget. Required supplementary information can be found on pages 57 – 59 of this report.

Combining and individual statements and schedules for non major funds are presented on pages 61 – 70 of this report.

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# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Reviewing the schedule below you can see that the City shows comparative data for the fiscal year ended April 30, 2008, 2009, and 2010. With three years of financial data, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole. The City's net assets at April 30, 2010 are \$13,310,503. The following schedule provides a summary of the City's net assets:

# CITY OF FRANKLIN, LOUISIANA

## Condensed Statement of Net Assets April 30, 2010

	Governmental Activities			Business-Type Activities			Totals		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Assets:</b>									
Current Assets	\$ 4,790,434	\$ 5,142,498	\$ 4,916,413	\$ 105,334	\$ (252,199)	\$ (120,026)	\$ 4,895,768	\$ 4,890,299	\$ 4,796,387
Restricted Assets	-	-	-	293,793	645,134	854,749	293,793	645,134	854,749
Capital Assets	<u>10,535,521</u>	<u>10,045,926</u>	<u>10,177,182</u>	<u>1,441,418</u>	<u>1,360,767</u>	<u>2,085,279</u>	<u>11,976,939</u>	<u>11,406,693</u>	<u>12,262,461</u>
Total Assets	<u>\$15,325,955</u>	<u>\$ 15,188,424</u>	<u>\$ 15,093,595</u>	<u>\$ 1,840,545</u>	<u>\$ 1,753,702</u>	<u>\$ 2,820,002</u>	<u>\$17,166,500</u>	<u>\$ 16,942,126</u>	<u>\$ 17,913,597</u>
<b>Liabilities:</b>									
Current Liabilities	\$ 858,214	\$ 316,702	\$ 391,331	\$ 134,409	\$ 77,024	\$ 741,126	\$ 992,623	\$ 393,726	\$ 785,057
Payable From									
Restricted Assets	-	414,415	458,026	192,016	190,076	274,697	192,016	604,491	732,723
Long-Term Liabilities:	<u>2,240,834</u>	<u>2,035,331</u>	<u>1,931,788</u>	<u>261,000</u>	<u>229,000</u>	<u>806,126</u>	<u>2,501,834</u>	<u>2,264,331</u>	<u>2,737,914</u>
Total Liabilities	<u>\$ 3,099,048</u>	<u>\$ 2,766,448</u>	<u>\$ 2,781,145</u>	<u>\$ 587,425</u>	<u>\$ 496,100</u>	<u>\$ 1,821,949</u>	<u>\$ 3,686,473</u>	<u>\$ 3,262,548</u>	<u>\$ 4,603,094</u>
<b>Net Assets:</b>									
Invest. In Capital Assets									
Net of Debt	\$ 8,113,133	\$ 7,837,522	\$ 8,040,024	\$ 1,148,418	\$ 1,147,581	\$ 1,169,153	\$ 9,261,551	\$ 8,985,103	\$ 9,209,177
Restricted	493,075	506,155	518,301	34,689	642,316	240,774	527,764	1,148,471	759,075
Unrestricted	<u>3,620,699</u>	<u>4,078,299</u>	<u>3,754,125</u>	<u>70,013</u>	<u>(532,295)</u>	<u>(411,874)</u>	<u>3,690,712</u>	<u>3,546,004</u>	<u>3,342,251</u>
Total Net Assets:	<u>\$12,226,907</u>	<u>\$ 12,421,976</u>	<u>\$ 12,312,450</u>	<u>\$ 1,253,120</u>	<u>\$ 1,257,602</u>	<u>\$ 998,053</u>	<u>\$13,480,027</u>	<u>\$ 13,679,578</u>	<u>\$ 13,310,503</u>

Note that \$9,209,177, of the City's net assets as of April 30, 2010 reflects the government's investment in capital assets (property, plant, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. This is an increase from last year of \$224,074. Of this total, the portion reflected in the governmental activities is \$8,040,024 and the portion reflected in the business-type activities is \$1,169,153. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future disbursement.

Although the City's investment in these capital assets is reported in the statement of net assets net of the related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

In 2010, net assets totaling \$759,075 were subject to restrictions. Of the total net assets, \$642,316 was subject to business-type activities and \$506,155 were subject to restrictions. Comparatively, 2009's restricted net assets totaling \$1,148,471 were subject to certain restriction: \$642,316 was restricted for business-type activities' debt service and \$473,591 was restricted for governmental activities debt service. The remaining \$32,564 is nonexpendable perpetual care restricted for governmental activities in both years.

Approximately \$3,342,251 of the City's net assets is unrestricted and may be used to meet the ongoing obligations of the government to its citizens and creditors. This is a \$203,753 decrease from 2009.

At the end of the current fiscal year, the City continues to be able to report a positive balance in total net assets.

The following schedule provides a summary of the City's changes in net assets as reflected in the Statement of Activities. Along with 2010 data, this schedule also shows comparative data for the years 2009 and 2008.

### City of Franklin, Louisiana Condensed Statement of Activities For The Year Ended April 30, 2010

	Governmental Activities			Business-Type Activities			Totals		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Revenues:									
Program:									
Charges For Services and Fines	\$ 1,711,682	\$ 1,812,174	\$ 1,690,847	\$ 1,285,126	\$ 1,416,492	\$ 1,323,672	\$ 2,996,808	\$ 3,228,666	\$ 3,014,519
Operating Grants and Contributions	332,864	1,165,054	417,214	-	18,000	-	332,864	1,183,054	417,214
Capital Grants and Contributions	196,899	179,180	433,765	-	-	54,881	196,899	179,180	488,646
General:									
Sales Taxes	3,251,402	2,881,504	2,367,708	-	-	-	3,251,402	2,881,504	2,367,708
Other Taxes	1,210,403	1,449,042	1,477,960	-	-	-	1,210,403	1,449,042	1,477,960
Unrestricted Grants and Contributions	313,475	323,633	272,718	-	-	-	313,475	323,633	272,718
Interest	80,620	38,639	10,436	16,411	11,717	4,672	97,031	50,356	15,108
Rental	45,660	41,834	41,688	-	-	-	45,660	41,834	41,688
Cemetery & Mausoleum	-	102,685	54,724	-	-	-	-	102,685	54,724
Miscellaneous	146,956	229,646	87,929	-	-	-	146,956	229,646	87,929
Transfers	(161,519)	(617,697)	(15,178)	161,519	24,197	15,178	-	(593,500)	-
Total Revenues and Transfers	<u>7,128,442</u>	<u>7,605,694</u>	<u>6,839,811</u>	<u>1,463,056</u>	<u>1,470,406</u>	<u>1,398,403</u>	<u>8,591,498</u>	<u>9,076,100</u>	<u>8,238,214</u>

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# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

### City of Franklin, Louisiana Condensed Statement of Activities (Continued) For The Year Ended April 30, 2010

	Governmental Activities			Business-Type Activities			Totals		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Program Expenses:									
General Government:	482,718	-	-	-	-	-	482,718	-	-
Administrative	-	529,966	302,784	-	-	-	-	529,966	302,784
Judicial	-	215,880	277,052	-	-	-	-	215,880	277,052
Public Safety:									
Police	1,180,627	1,430,854	1,440,099	-	-	-	1,180,627	1,430,854	1,440,099
Fire	457,894	501,780	536,675	-	-	-	457,894	501,780	536,675
Streets and Drainage	837,363	1,052,398	975,096	-	-	-	837,363	1,052,398	975,096
Culture and Recreation	759,763	677,841	781,583	-	-	-	759,763	677,841	781,583
Sanitation	2,179,611	2,459,429	2,206,536	-	-	-	2,179,611	2,459,429	2,206,536
Urban Redevelopment	140,143	168,057	190,883	-	-	-	140,143	168,057	190,883
Food Services	34,562	39,924	46,802	-	-	-	34,562	39,924	46,802
Miscellaneous	-	247,178	3,693	-	-	-	-	247,178	3,693
Interest	120,287	91,007	85,804	10,760	5,075	16,382	131,047	96,082	102,186
Water Utility Expense	-	-	-	1,339,047	1,460,849	1,641,570	1,339,047	1,460,849	1,641,570
Total Expenses	<u>6,192,968</u>	<u>7,414,314</u>	<u>6,847,007</u>	<u>1,349,807</u>	<u>1,465,924</u>	<u>1,657,952</u>	<u>7,542,775</u>	<u>8,880,238</u>	<u>8,504,959</u>
Change In Net Assets	935,474	191,380	(7,196)	113,249	4,482	(259,549)	1,048,723	195,862	(266,745)
Beginning Net Assets	<u>11,291,433</u>	<u>12,230,596</u>	<u>12,319,646</u>	<u>1,139,871</u>	<u>1,253,120</u>	<u>1,257,602</u>	<u>12,431,304</u>	<u>13,483,716</u>	<u>13,577,248</u>
Ending Net Assets	<u>\$ 12,226,907</u>	<u>\$ 12,421,976</u>	<u>\$ 12,312,450</u>	<u>\$ 1,253,120</u>	<u>\$ 1,257,602</u>	<u>\$ 998,053</u>	<u>\$ 13,480,027</u>	<u>\$ 13,679,578</u>	<u>\$ 13,310,503</u>

## GOVERNMENTAL REVENUES

The City is heavily reliant on sales taxes to support governmental operations. Sales tax collections provided a total of \$2,367,708 of the City's revenues. This is a decrease of \$513,796 and \$883,694 under 2009 and 2008, respectively. Sales taxes comprise approximately 29% of the City's total revenues for governmental activities for the year 2010, compared to 37% for 2009. The City also receives a percentage of sales taxes collected by the Parish of St. Mary. The percentage is based on the ratio of the population of the City to the total population of the Parish of St. Mary. Because of the City's financial position, the City earned \$10,436 in interest to support governmental activities, compared to \$38,639 in 2009. For 2010, program revenues totaled \$3,920,379 or 37% of operating revenues. In 2009, program revenues accounted for 41% of governmental operating expenses. Grants and contributions in 2010 were \$905,860, a decrease of \$456,374 from 2009. Total revenues from government activities were \$6,839,811, net of interfund transfers, for the fiscal year ended April 30, 2010, a decrease of \$765,811 or .90% under the 2009 fiscal year.

## GOVERNMENTAL FUNCTIONAL EXPENSES

General government expenses for fiscal 2010 decreased \$166,010 compared to 2009 fiscal year. General government expenses totaled \$579,836, compared to \$745,846 in 2009. Police services totaled \$1,440,099 compared to \$1,430,854 in 2009. Fire services increased totaling \$536,675 as compared to \$501,780 in 2009. Sanitation services decreased \$252,893 to \$2,206,536 from \$2,459,429 in 2009. Streets and Drainage Expenses also decreased for the year 2010, ending fiscal year 2010 at \$975,096 as compared to \$1,052,398.

The total change in net assets was a \$266,745 decrease for the fiscal year ended April 30, 2010; compared to an increase of \$195,862 in 2009 and an increase of \$1,531,441 in 2008.

# CITY OF FRANKLIN, LOUISIANA

## Management's Discussion and Analysis

The following table presents the cost of each of the City's program, including the net cost (i.e. total cost less revenue generated by activities). The net cost illustrates the financial demand that was levied on the City's taxpayers by each of these activities.

### City of Franklin, Louisiana Analysis of Governmental Activities For The Year Ended April 30, 2010

	Total Cost of Services			Net Cost of Services		
	2008	2009	2010	2008	2009	2010
Program Expenses:						
General Government	\$ 482,718	\$ 745,846	\$ 579,836	\$ (72,494)	\$ 497,488	\$ (86,174)
Public Safety:						
Police	1,180,624	1,430,854	1,440,099	(979,611)	(1,247,954)	(1,057,604)
Fire	457,894	501,780	536,675	(425,371)	(466,429)	(389,618)
Streets/drainage	837,363	1,052,398	975,096	(774,779)	(962,762)	(894,038)
Culture	759,763	677,841	781,583	(486,405)	(375,769)	(486,033)
Sanitation	2,179,611	2,459,429	2,206,536	(1,004,564)	(1,302,247)	(1,168,352)
Urban Redevelopment	140,143	168,057	190,883	(90,143)	(70,667)	(137,191)
Food Services	34,562	39,924	46,802	2,131	8,619	3,326
Miscellaneous	-	247,178	3,693	-	(247,178)	(3,693)
Interest	120,287	91,007	85,804	(120,287)	(91,007)	(85,804)
Total Expenses	\$ 6,192,965	\$ 7,414,314	\$ 6,847,007	\$ (3,951,523)	\$ (4,257,906)	\$ (4,305,181)

## BUSINESS-TYPE ACTIVITIES

### Revenues vs. Cost

Within the total business-type activities of the City, these activities reported a \$259,549 operating loss for the year. (See page 22 of this report). Water revenues decreased \$70,866 compared to 2009. However, water production and distribution costs increased \$148,179. Streetlight fees decreased \$29,182. Additionally, depreciation expense increased \$7,770 over 2009 to \$131,792.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### Governmental Funds

Governmental funds are reported in the fund statements with short term, inflows and outflows of disburseable resource focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$4,490,012—see page 17 of this report. Of this year-end total, \$4,031,986 is unreserved indicating availability for financing the City's continuing service requirements. Legally restricted fund balances were \$485,737 committed to debt service and \$32,564 committed to perpetual care.

## CITY OF FRANKLIN, LOUISIANA

### Management's Discussion and Analysis

The General Fund is the City's primary operating fund and the largest source of day to day service delivery. The General Fund's fund balance decreased by \$372,778. Revenues in the General Fund decreased over the prior year by \$868,136, expenditures decreased \$102,366 over prior year. Net transfers from the General Fund to other funds were \$(260,560), a decrease of \$299,094 from 2009.

#### The Proprietary Fund

The proprietary fund statements share the same focus as the government wide statements, reporting both short term and long term data about the City's financial position.

The City has total net assets of \$998,053 in the proprietary fund comprised of \$1,169,153 invested in capital assets (net of related debt) and \$240,774 is restricted for revenue bond retirement the balance is a deficit of \$(411,874).

#### GENERAL FUND – BUDGETARY HIGHLIGHTS

The major difference between the original General Fund budget and the amended General Fund Budget was a \$260,000 increase in budgeted federal grant revenues and a \$91,794 decrease in budgeted state grant revenues. Sales taxes were \$32,652 less than budgeted, franchise fees were \$5,506 less than budgeted and federal and state grant revenues were a combined \$114,591 more than budgeted.

The total revenues exceeded the budgeted amount by \$153,319. Total revenues under expenditures were \$372,779.

#### ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ending April 30, 2010, the City of Franklin's economy has slowed down tremendously. There were significant decreases in all of the major revenues.

In 2008 in the Utility Fund, the City increased water and streetlight fees in an effort to operate the City's utility fund at least at a breakeven level. However, substantially increased costs of water production and distribution prevented to the City from achieving its goal of at least breakeven, resulting in a loss for the 2009 and 2010 years.

When the City reassessed its real property, it chose not to roll forward its tax millages, thus maintaining ad valorem tax revenues on a relatively even level.

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances, compliance with finance related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Director, Bianca Ferguson or Mayor Raymond Harris, Jr. Post Office Box 567, Franklin, Louisiana 70538.

## **FINANCIAL SECTION**

CITY OF FRANKLIN, LOUISIANA

Statement of Net Assets  
April 30, 2010

		Primary Government	
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and interest-bearing deposits	\$ 2,604,152	\$ 413,323	\$ 3,017,475
Receivables:			
Taxes	510,171	-	510,171
Accounts	66,328	170,269	236,597
Special assessments	35,071	-	35,071
Loans receivable, net of allowance	33,806	-	33,806
Internal balances	1,304,956	(1,304,956)	-
Restricted assets:			
Cash	-	854,749	854,749
Bond issuance costs, net of amortization	-	42,268	42,268
Due from other governments	361,929	559,070	920,999
Capital assets, net of accumulated depreciation	<u>10,177,182</u>	<u>2,085,279</u>	<u>12,262,461</u>
Total assets	<u>\$ 15,093,595</u>	<u>\$ 2,820,002</u>	<u>\$ 17,913,597</u>



	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 276,235	\$ 157,743	\$ 433,978
Accrued liabilities	93,053	24,313	117,366
Contracts payable	22,043	559,070	581,113
Payable from restricted assets:			
Revenue bonds payable, current portion	-	110,000	110,000
Accrued interest	17,175	7,007	24,182
Customer deposits	-	157,690	157,690
Deferred revenue	35,071	-	35,071
Current portion of long term obligations	405,780	-	405,780
Noncurrent liabilities:			
Noncurrent portion of long term obligations	<u>1,931,788</u>	<u>806,126</u>	<u>2,737,914</u>
Total liabilities	<u>2,781,145</u>	<u>1,821,949</u>	<u>4,603,094</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,040,024	1,169,153	9,209,177
Restricted for:			
Debt service	485,737	240,774	726,511
Perpetual care:			
Nonexpendable	32,564	-	32,564
Unrestricted	<u>3,754,125</u>	<u>(411,874)</u>	<u>3,342,251</u>
Total net assets	<u>\$ 12,312,450</u>	<u>\$ 998,053</u>	<u>\$ 13,310,503</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Activities  
Year Ended April 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government:				
Administrative	\$ 302,784	\$ 391,154	\$ 33,165	\$ -
Judicial	277,052	69,343	-	-
Public safety:				
Police	1,440,099	153,605	41,213	187,677
Fire	536,675	32,523	-	114,534
Public works:				
Streets and drainage	975,096	-	-	81,058
Culture and recreation	781,583	11,000	257,001	27,549
Sanitation	2,206,536	1,033,222	-	4,962
Community development	190,883	-	35,707	17,985
Food services	46,802	-	50,128	-
Miscellaneous	3,693	-	-	-
Interest and fiscal charges on debt	85,804	-	-	-
Total Governmental Activities	<u>6,847,007</u>	<u>1,690,847</u>	<u>417,214</u>	<u>433,765</u>
Business-type activities:				
Utility fund	<u>1,657,952</u>	<u>1,323,672</u>	<u>-</u>	<u>54,881</u>
Total business-type activities	<u>1,657,952</u>	<u>1,323,672</u>	<u>-</u>	<u>54,881</u>
Total government	<u>\$ 8,504,959</u>	<u>\$ 3,014,519</u>	<u>\$ 417,214</u>	<u>\$ 488,646</u>

General Revenues:

Taxes:

  Ad valorem taxes

  Sales

  Franchise tax

Grants and contributions not restricted to  
specific programs

Interest and investment earnings

Rentals

Cemetery and mausoleum sales

Miscellaneous

Transfers

  Total general revenues

Change in net assets

Net Assets-- beginning

Net Assets--ending

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ 121,535	\$ -	\$ 121,535
(207,709)	-	(207,709)
(1,057,604)	-	(1,057,604)
(389,618)	-	(389,618)
(894,038)	-	(894,038)
(486,033)	-	(486,033)
(1,168,352)	-	(1,168,352)
(137,191)	-	(137,191)
3,326	-	3,326
(3,693)	-	(3,693)
(85,804)	-	(85,804)
<u>(4,305,181)</u>	<u>-</u>	<u>(4,305,181)</u>
-	(279,399)	(279,399)
-	(279,399)	(279,399)
<u>(4,305,181)</u>	<u>(279,399)</u>	<u>(4,584,580)</u>
1,006,666	-	1,006,666
2,367,708	-	2,367,708
471,294	-	471,294
272,718	-	272,718
10,436	4,672	15,108
41,688	-	41,688
54,724	-	54,724
87,929	-	87,929
(15,178)	15,178	-
<u>4,297,985</u>	<u>19,850</u>	<u>4,317,835</u>
(7,196)	(259,549)	(266,745)
<u>12,319,646</u>	<u>1,257,602</u>	<u>13,577,248</u>
<u>\$ 12,312,450</u>	<u>\$ 998,053</u>	<u>\$ 13,310,503</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Balance Sheet – Governmental Funds  
April 30, 2010

	General Fund	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
<b>ASSETS</b>				
Cash and interest-bearing deposits	\$ 1,224,571	\$ 461,766	\$ 917,815	\$2,604,152
Receivables:				
Taxes	279,612	188,147	42,412	510,171
Accounts	66,329	-	-	66,329
Special assessments	-	-	35,071	35,071
Loans receivable, net	-	-	33,806	33,806
Due from other governments	187,814	174,115	-	361,929
Due from other funds	<u>42,840</u>	<u>2,007,307</u>	<u>20,927</u>	<u>2,071,074</u>
Total assets	<u>\$ 1,801,166</u>	<u>\$ 2,831,335</u>	<u>\$ 1,050,031</u>	<u>\$ 5,682,532</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 144,575	\$ 131,660	\$ -	\$ 276,235
Accrued liabilities	84,827	6,976	1,250	93,053
Contracts payable	-	-	22,043	22,043
Deferred revenue	-	-	35,071	35,071
Due to other funds	<u>721,469</u>	<u>38,970</u>	<u>5,679</u>	<u>766,118</u>
Total liabilities	<u>950,871</u>	<u>177,606</u>	<u>64,043</u>	<u>1,192,520</u>
Fund balances:				
Reserved:				
Debt service	-	-	485,737	485,737
Perpetual care	-	-	32,564	32,564
Unreserved, reported in:				
General fund	850,295	-	-	850,295
Special revenue funds	-	2,653,729	352,594	3,006,323
Capital projects	-	-	115,093	115,093
Total fund balances	<u>850,295</u>	<u>2,653,729</u>	<u>985,988</u>	<u>4,490,012</u>
Total liabilities and fund balances	<u>\$ 1,801,166</u>	<u>\$ 2,831,335</u>	<u>\$ 1,050,031</u>	<u>\$ 5,682,532</u>

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets  
April 30, 2010

Total fund balances - governmental funds		\$ 4,490,012
Amounts reported for governmental activities in the statement of net assets are different because:		
Cost of capital assets at April 30, 2010	22,088,994	
Less: accumulated depreciation as of April 30, 2010:		
Buildings	(1,513,544)	
Improvements other than buildings	(7,950,919)	
Equipment	<u>(2,447,350)</u>	
		10,177,181
Elimination of interfund assets and liabilities		
Due from other funds	766,118	
Due to other funds	<u>(766,118)</u>	
		-
Long-term liabilities at April 30, 2010:		
Bonded debt payable	(1,561,250)	
Special assessment certificates	(35,071)	
Certificates of indebtedness	(150,000)	
Capital leases	(390,836)	
Compensated absences payable	<u>(200,411)</u>	
		(2,337,568)
Accrued interest payable		<u>(17,175)</u>
Total net assets - governmental activities		<u>\$ 12,312,450</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds  
Year Ended April 30, 2010

	General	Liquid and Solid Waste Fund	Other Governmental	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,400,250	\$ 1,207,530	\$ 237,887	\$ 3,845,667
Licenses and permits	391,154	-	-	391,154
Intergovernmental	1,110,307	220,468	151,217	1,481,992
Assessments	-	-	4,962	4,962
Charges for services	-	812,713	13,665	826,378
Fines and forfeits	110,062	-	-	110,062
Rentals	26,688	-	15,000	41,688
Investment earnings	3,602	1,133	5,701	10,436
Cemetery and crypt sales	50,916	-	3,808	54,724
Miscellaneous	87,926	-	-	87,926
Total revenues	<u>4,180,905</u>	<u>2,241,844</u>	<u>432,240</u>	<u>6,854,989</u>
<b>Expenditures:</b>				
Current -				
General government:				
Administrative	279,167	-	-	279,167
Judicial	272,674	-	-	272,674
Public safety:				
Police	1,333,013	-	15,354	1,348,367
Fire	387,000	-	-	387,000
Public works:				
Streets and drainage	840,323	-	-	840,323
Culture and recreation	702,303	-	-	702,303
Sanitation	-	1,857,964	-	1,857,964
Community development	155,255	-	17,985	173,240
Food services	-	-	46,802	46,802
Debt service				
Principal	-	-	221,247	221,247
Interest and fiscal charges	-	-	85,329	85,329
Miscellaneous	2,903	-	790	3,693
Capital outlay	<u>320,485</u>	<u>123,299</u>	<u>521,291</u>	<u>965,075</u>
Total expenditures	<u>4,293,123</u>	<u>1,981,263</u>	<u>908,798</u>	<u>7,183,184</u>
Excess (deficiency) of revenues over expenditures	<u>(112,218)</u>	<u>260,581</u>	<u>(476,558)</u>	<u>(328,195)</u>
<b>Other financing sources (uses):</b>				
Certificates of indebtedness	150,000	-	-	150,000
Operating transfers in	295,206	1,092	780,017	1,076,315
Operating transfers out	<u>(705,766)</u>	<u>(87,996)</u>	<u>(297,731)</u>	<u>(1,091,493)</u>
Total other financing sources (uses)	<u>(260,560)</u>	<u>(86,904)</u>	<u>482,286</u>	<u>134,822</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(372,778)</u>	<u>173,677</u>	<u>5,728</u>	<u>(193,373)</u>
Fund balances, beginning	<u>1,223,073</u>	<u>2,480,052</u>	<u>980,260</u>	<u>4,683,385</u>
Fund balances, ending	<u>\$ 850,295</u>	<u>\$ 2,653,729</u>	<u>\$ 985,988</u>	<u>\$ 4,490,012</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended April 30, 2010

Net changes in fund balances - governmental funds	\$ (193,373)
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Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period	137,459
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Proceeds from Certificates of Indebtedness provides current financial resources to governmental funds; however issuing debt increases long term liabilities in the statement of net assets	(150,000)
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Repayment of long term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	221,247
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Excess of compensated absences used over amounts earned	(23,004)
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Excess of interest paid over interest accrued	<u>475</u>
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Change in net assets - governmental activities	<u>\$ (7,196)</u>
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The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Net Assets – Proprietary Fund  
April 30, 2010

	Water Enterprise Fund
<b>ASSETS</b>	
Current assets:	
Cash and interest-bearing deposits	\$ 413,323
Accounts receivables, net	170,269
Due from Federal government	559,070
Due from other funds	<u>601,379</u>
Total current assets	<u>1,744,041</u>
Restricted assets:	
Bond and interest sinking fund -	
Cash	240,774
Capital additions and contingencies fund -	
Cash	462,606
Reserve Funds	
Cash	<u>151,369</u>
Total restricted assets	<u>854,749</u>
Property, plant and equipment:	
Property, plant and equipment, at cost, net	
of accumulated depreciation of \$3,783,352	<u>2,085,279</u>
Other assets:	
Bond issuance costs, net	<u>42,268</u>
Total assets	<u>\$ 4,726,337</u>



	Water Enterprise Fund
<b>LIABILITIES</b>	
Liabilities:	
Current liabilities (payable from current assets) -	
Accounts payable	\$ 157,743
Accrued liabilities	24,313
Contracts payable	559,070
Due to other funds	<u>1,906,335</u>
Total current liabilities (payable from current assets)	<u>2,647,461</u>
Current liabilities (payable from restricted assets) -	
Revenue bonds payable	110,000
Accrued interest	7,007
Customers' deposits	<u>157,690</u>
Total current liabilities (payable from restricted assets)	<u>274,697</u>
Long-term liabilities:	
Revenue bonds payable, net of current portion	<u>806,126</u>
Total liabilities	<u>3,728,284</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,169,153
Restricted for revenue bond retirement	240,774
Unrestricted	<u>(411,874)</u>
Total net assets	<u>\$ 998,053</u>

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund  
Year Ended April 30, 2010

	Water Enterprise Fund
Operating revenues:	
Water Sales	\$ 1,044,297
Reconnection and installation fees	11,865
Delinquent charges	17,563
Street light fees	178,541
Mosquito control	70,704
Miscellaneous	702
Total operating revenues	<u>1,323,672</u>
Operating expenses:	
Administrative and finance	41,600
Water production	684,909
Water distribution	216,437
Billings and collections	284,764
Meter department	50,715
Depreciation and amortization	131,792
Street light fees	162,207
Mosquito abatement control	69,146
Total operating expenses	<u>1,641,570</u>
Operating loss	<u>(317,898)</u>
Nonoperating revenues (expenses):	
Debt forgiveness income	54,881
Interest income	4,672
Interest and fiscal charges	<u>(16,382)</u>
Total nonoperating revenues (expenses)	<u>43,171</u>
Loss before operating transfers	(274,727)
Operating transfers:	
Operating transfers in	<u>15,178</u>
Change in net assets	(259,549)
Net assets, beginning	<u>1,257,602</u>
Net assets, ending	<u>\$ 998,053</u>

The accompanying notes are an integral part of this statement

CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Fund  
Year Ended April 30, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,310,632
Payments to suppliers for goods and services	(288,693)
Payments to employees	<u>(518,679)</u>
Net cash provided by operating activities	<u>503,260</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Cash received from other governments	182,938
Operating transfers from other funds	15,179
Increase in due to other funds	<u>491,870</u>
Net cash provided by noncapital financing activities	<u>689,987</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal payments on revenue bonds	(32,000)
Debt forgiveness income	(54,881)
Interest payments on revenue bonds	(9,375)
Increase in bond issuance costs	(39,450)
Acquisition and construction of capital assets	<u>(857,574)</u>
Net cash used by capital and related financing activities	<u>(993,280)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on interest bearing deposits	<u>4,672</u>
Net cash provided by investing activities	<u>4,672</u>
Net increase in cash and cash equivalents	204,639
Cash and cash equivalents, beginning of period	<u>1,063,433</u>
Cash and cash equivalents, end of period	<u>\$ 1,268,072</u>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating loss	\$ (317,898)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation and amortization	131,792
Decrease in accounts receivable	25,650
Increase in accounts payable and other accrued liabilities	105,032
Increase in contracts payable	559,070
Decrease in customer meter deposits	<u>(386)</u>
Total adjustments	<u>821,158</u>

Net cash used by operating activities	<u>\$ 503,260</u>
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CITY OF FRANKLIN, LOUISIANA

Statement of Cash Flows – Proprietary Funds (Continued)  
Year Ended April 30, 2010

Reconciliation of cash and cash equivalents per  
statement of cash flows to the balance sheet:

Cash and cash equivalents beginning of period -

Interest-bearing deposits - unrestricted

\$ 421,117

Interest bearing deposits - restricted

642,316

Total cash and cash equivalents

1,063,433

Cash and cash equivalents, end of period -

Interest-bearing deposits - unrestricted

413,323

Interest-bearing deposits - restricted

854,749

Total cash and cash equivalents

1,268,072

Net increase in cash and cash equivalents

\$ 204,639

The accompanying notes are an integral part of this statement.

CITY OF FRANKLIN, LOUISIANA

Statement of Fiduciary Net Assets  
Private Purpose Trust  
Year Ended April 30, 2010

	<u>Employee Benefit Plan and Trust</u>
ASSETS	
Cash	<u>\$ 245,554</u>
LIABILITIES	
Claims payable	<u>30,127</u>
NET ASSETS	
Held in trust for payment of future claims and other purposes	<u>\$ 215,427</u>

CITY OF FRANKLIN, LOUISIANA

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund  
Year Ended April 30, 2010

	Employee Benefit Plan and Trust
<b>Additions:</b>	
Contributions:	
Employer	\$ 199,814
Plan members	<u>87,937</u>
Total contributions	<u>287,751</u>
Investment income:	
Interest	1,421
Less investment expense	<u>28</u>
Net investment income	<u>1,393</u>
Other additions	<u>1,347</u>
Total additions	<u>290,491</u>
<b>Deductions:</b>	
Claims paid	149,042
Administrative expenses	<u>19,787</u>
Total deductions	<u>168,829</u>
Net decrease	121,662
Net assets--beginning of the year	<u>93,765</u>
Net assets--end of the year	<u>\$ 215,427</u>

The accompanying notes are an integral part of this statement.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Franklin (City) was incorporated April 15, 1876, under the provisions of a special charter. The City operated under a Mayor-Council form of government until August 1, 2004, at which time the City adopted a Home Rule Charter and now operates under an elected Mayor-Council, administrative-legislative form of government. The City's operations include police and fire protection, streets and drainage, parks and recreation, residential waste collection services, certain social services and general and administration services. The City owns and operates an enterprise fund which provides water services.

The accounting and reporting policies of the City of Franklin relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments, except for the omission of the component units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:513, the Louisiana Governmental Audit Guide and to the industry audit guide, Audits of State and Local Governmental Units. In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," it is the City of Franklin's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued prior to December 1, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The City of Franklin adopted FASB ASC 820, *Fair Value Measurements and Disclosures*, during its 2009 fiscal year.

The following is a summary of certain significant accounting policies:

##### Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has established several criteria for determining the governmental reporting entity. The reporting entity for the City should include the City of Franklin, Louisiana, which as governing authority of the City is the primary government, and other governmental entities within the area for which the City has financial accountability. Financial accountability is determined by the City, on the basis of applying the following criteria from those established by the GASB:

- Financial benefit or burden
- Appointment of a voting majority
- Imposition of will
- Fiscally dependent

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Based on the following criteria the City Court and City Marshal are considered to be component entities:

1. The City Court of the City of Franklin establishes a court for the City of Franklin and the territorial jurisdiction throughout Ward Three of St. Mary Parish, Louisiana. The purpose of the City Court is to collect all fines, forfeitures, penalties, and costs assessed. The judge and marshal are elected to six year terms. The fiscal year of the City Court of the City of Franklin ends on June 30, which is different from that of the primary government. The City provides the facilities in which the Court operates and has approval authority over certain expenditures made by the Court.
2. The Marshall's Fund of the City Court of the City of Franklin accounts for the activities of the Marshal in carrying out the duties of the Court. The expenses of carrying out these duties are defrayed by court costs collected through the City Court. The fiscal year of the Marshal's Fund of the City Court of the City of Franklin ends on June 30, which is different from that of the primary government. The City provides the facilities in which the Marshal operates and has approval authority over certain expenditures made by the Marshal.

The GASB provides for the issuance of primary government financial statements which are separate from those of the reporting entity. However, a primary government's financial statements are not a substitute for the reporting entity's financial statements. The City has chosen to issue financial statements of the primary government only. As such, the accompanying financial statements are not intended to and do not report in accordance with generally accepted accounting principals.

#### Basis of Presentation

##### *Government-wide Financial Statements:*

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating capital or grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.



## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### *Fund Financial Statements:*

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

##### Governmental Funds

##### General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

##### Debt service funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

##### Capital projects funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

##### Permanent fund

The permanent fund accounts for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund

Private purpose trust

Private purpose trust funds are used to account for all trust arrangements for which principal and income are for the benefit of specific individuals. The private purpose trust fund of the City is the Employee Benefit Plan and Trust and is shown separately.

Proprietary Funds

Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Major Funds:

*General Fund* – primary operating fund of the City. The general fund is always classified as a major fund.

Special Revenue Fund:

*Liquid and Solid Waste Fund*—accounts for the receipt and use of proceeds of the City's share of the  $\frac{3}{4}$  of 1% sales and use tax. These taxes are dedicated for the construction, acquisition, extension, improvements, operation and maintenance of solid waste collection and disposal, sewers and sewerage disposal works, and other facilities for pollution control and abatements, and to provide funds to pay debt service requirements on bonds issued for such purposes.

Proprietary Funds:

*Utility Fund*—accounts for the provision of water service to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administrations, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonmajor Funds:

Special Revenue Funds:

*Summer Feeding Program*—accounts for the receipt and use of funds reimbursed under the National School Lunch Act.

*Public Safety Fund*—accounts for the receipt and use of proceeds of the City's share of 3/10% sales and use tax. These taxes are dedicated for the purpose of operating and maintaining the municipal police department, the municipal fire department and the volunteer fire department, and for the purpose of purchasing, constructing, acquiring, improving and maintaining any public works or capital improvements utilized or operated by said departments.

*Revolving Loan Fund*—accounts for a revolving loan fund set up to loan funds to area small businesses or prospective small businesses. The fund was initially financed through a federal grant. Funds received from loan repayments are used for additional loans.

*W. McKerall O'Neill Shell Fund*—accounts for the receipt and disbursement of a private grant from Shell Oil Company for the purpose of loaning funds to individuals for rehabilitation of homes in the City of Franklin.

*Narcotic Aid Fund*—accounts for the receipt and disbursement of funds collected by the District Attorney's office for drug enforcement.

*Water and Sewer System Renewal and Replacement Fund*—a fund required by the 2000 Water and Sewer Revenue Bonds to accumulate funds to care for extensions, additions, and improvements to properly operate the wastewater plant and sewer system.

*LCDBG Grant Fund*—accounts for the receipt of federal monies to be expended for housing rehabilitation in the City of Franklin area.

*Mausoleum Endowed Care*—accounts for the receipt and expenditure of the portion of crypt sales dedicated to the upkeep and maintenance of the mausoleum.

Capital Projects Funds:

*LCDBG Economic Development Grant*—accounts for the receipt and expenditures of federal funds awarded for the purpose of acquiring land and buildings for economic development in the City.

*Capital Outlay Fund*—accounts for the receipt and expenditure of funds received from grant sources for the purpose of acquiring assets or other capital expenditures.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Service Funds:

*1995 Water and Sewer Revenue Bond Sinking Fund*—accumulates monies for the payment of the 1995 \$400,000 (Series A) Bonds.

*1995 Water and Sewer Revenue Bond Reserve*—this reserve is required by the 1995 \$400,000 (Series A) Bonds.

*Sales Tax Bond Sinking Fund 2005A*—accumulates revenues for future payments of the \$1,105,000 Sales Tax Refunding Bonds, Series 2005A. Debt service is financed with proceeds of the City's 1% sales and use tax.

*Sales Tax Bond Reserve Fund 2005A*—this reserve is required by the \$1,105,000 Sales Tax Refunding Bonds, Series 2005A.

*1998 Sales Tax Fire Equipment Sinking Fund*—accumulates monies for payment of capital lease for fire equipment and certificates of indebtedness for the purchase of a fire truck.

*2000 Water and Sewer Revenue Bond Sinking Fund*—accumulates revenues for payment of the 2000 \$758,000 Water and Sewer Revenue Bonds. Debt Service is financed with Liquid and Solid Waste revenues.

*2000 Water and Sewer Revenue Bond Reserve Fund*—a reserve fund required by the \$758,000, 2000 Water and Sewer Revenue Bonds.

*Consolidated Sewerage District No. 1 Fund*—accounts for the funds received from special assessments used to pay a portion of the cost of the acquisition and construction of sewerage improvements and extensions to the sewerage system to service properties located in the Consolidated Sewerage District No. 1. A portion of the funds are also used to pay debt service requirements on Special Assessment Certificates Series 2007.

Permanent Fund:

*2000 Cemetery Fund*—accounts for the funds set aside for the perpetual care and upkeep of a portion of the cemetery and mausoleum acquired in 2000.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included in the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned including unbilled water services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenues at that time. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related liability is incurred. However, debt service expenditures are recorded only when payment is due.

Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, charges for services and interest on investments. Franchise fees, licenses, permits, and fines are recognized when they are received because they are not objectively measurable.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

##### Capital Assets

Capital assets, which include buildings, improvements other than buildings, moveable equipment, automotive equipment and furniture and fixtures are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Assets capitalized have an original cost of \$2,500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

Buildings	20 - 40 years
Improvements other than buildings	20 - 40 years
Moveable equipment	5 - 20 years

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor and City Clerk prepare a proposed budget for the general and special revenue funds and submits them to the City Council for the fiscal year no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After holding the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfers of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the City Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the City Council. Such amendments were not material in relation to the original appropriations.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Any residual balances outstanding between the governmental activities and the fiduciary fund are reported in the government-wide financial statements as "receivable from/payable to external parties".

##### Restricted Assets

Certain assets of the enterprise funds are classified as restricted assets because their use is limited by applicable bond covenants and other restrictions. The "revenue bond and interest sinking fund" is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond contingency fund" is used to segregate resources accumulated to pay the principal and interest on bonds for the payment of which there is not sufficient money in the revenue bond and interest sinking fund and is available for the making of improvements and extensions to the system. However, this money shall never be used for the making of improvements and extensions to the system or payment of principal and interest on bonds if such use of said money will leave in the revenue bond contingency fund for the making of emergency repairs or replacements less than the sum of \$10,000. The "water rehabilitation" fund is used to segregate resources accumulated to pay future bond payments for rehabilitation of the water plant. The "customers' deposits" is used to segregate those refundable resources received from customers currently on the system.

##### Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), the resulting difference between the allowance method and specific charge-off method would result in an immaterial difference. An allowance for uncollectible utility receivables of \$30,047 has been provided at April 30, 2010.

##### Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated. Interfund transfers between the governmental funds and the business-type funds are not eliminated but are shown in the statement of activities as "transfers".

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Employees earn paid vacation time each year based upon their total years of service. Vacation time must be used within the fiscal year and cannot be carried over to subsequent periods.

Certain employees also earn compensatory time off for overtime hours worked. These compensated absences are allowed to accumulate from period to period if not used. Upon termination, an employee is compensated for the accumulation of this time.

Capitalization of Interest Expense

It is the policy of the City of Franklin to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. For the year ended April 30, 2010, no capitalized interest expense was recorded on the books.

Use of Estimates

The City's management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures or expenses, as appropriate. Actual results may differ from these estimates.

Receivables in Governmental Funds

Receivables are stated at net realizable value after provision for estimated uncollectible accounts. Provision for uncollectible accounts total \$23,248 which includes \$14,569 in the Revolving Loan Fund and \$8,679 in the W. McKerall O'Neill Shell Fund.

Statement of Cash Flows

For the purpose of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Values of Financial Instruments

On May 1, 2008 the City adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. See Note 17 for details on the City's assets and liabilities.

Subsequent Events

The City has evaluated subsequent events through January 14, 2011, the date the financial statements were available to be issued.



# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the state of Louisiana, which operates a local government investment pool.

At April 30, 2010, the City has cash and interest-bearing deposits (book balances) as follows:

Demand deposits	\$ 173,307
Interest-bearing deposits, includes LAMP	<u>3,944,471</u>
Total	<u>\$ 4,117,778</u>

Included in this schedule under interest-bearing deposits is \$245,554 pertaining to funds maintained in the City's fiduciary fund.

Custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be recovered. Under state law, the City's deposits must be secured by federal deposit insurance or similar federal security of the pledge of securities owned by the fiscal agent bank. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the City's name by the pledging bank or by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at April 30, 2010, are secured as follows:

Bank balances, does not include LAMP	\$ <u>1,853,320</u>
Federal deposit insurance	1,908,868
Pledged securities (category 3)	<u>11,190,035</u>
Total federal insurance and pledged securities	<u>\$ 13,098,903</u>
Excess	<u>\$ 11,245,583</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker, dealer or agent but not in the City's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand.

The City had \$1,472,669 invested in Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.165, the investment in LAMP as of April 30, 2010 is not categorized in the three risk categories provided by GASB Codification 150.164, because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana, formed by an initiative of the State

# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 2 CASH AND INTEREST-BEARING DEPOSITS (CONTINUED)

Treasurer in 1993. The corporation is governed by a board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPAs. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Due to this immediate access feature, investments in LAMP are considered cash equivalents by the City.

### NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to taxpayers in November. Billed taxes become delinquent on January 1 of the following year. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Mary Parish. City property tax revenues are budgeted in the year billed.

For the year ended April 30, 2010, taxes of 19.64 mills were levied on property with assessed valuations totaling \$33,793,477 and were dedicated as follows:

General governmental services	13.82 mills
Sewerage system maintenance	5.82 mills

### NOTE 4 DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at April 30, 2010 consisted of the following:

	General Fund	Liquid and Solid Waste Fund	Totals
Federal Government			
Grants	\$ 122,097	\$ -	\$ 122,097
State of Louisiana			
Video poker taxes	21,637	-	21,637
Grants	9,838	-	9,838
St. Mary Parish Council			
Grants and reimbursements	<u>34,242</u>	<u>174,115</u>	<u>208,357</u>
Total due from other governmental units	<u>\$ 187,814</u>	<u>\$ 174,115</u>	<u>\$ 361,929</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 5 INTERFUND RECEIVABLES/PAYABLES

Interfund balances at April 30, 2010 consisted of the following amounts:

	<u>Receivables</u>	<u>Payables</u>
<b>Governmental Funds</b>		
Major Funds:		
General Fund		
Special Revenue Funds	\$ 20,727	\$ 128,441
Proprietary Fund	<u>22,113</u>	<u>593,028</u>
Total General Fund	<u>42,840</u>	<u>721,469</u>
Special Revenue Fund:		
Liquid and Solid Waste Fund		
General Fund	124,708	17,225
Special Revenue Funds	-	73
Debt Service Funds	-	13,321
Proprietary Fund	<u>1,882,599</u>	<u>8,351</u>
Total Special Revenue Fund	<u>2,007,307</u>	<u>38,970</u>
Total major governmental	<u>2,050,147</u>	<u>760,439</u>
Nonmajor governmental:		
Special Revenue Funds:		
General Fund	3,731	3,500
Special Revenue Funds	<u>73</u>	<u>-</u>
	<u>3,804</u>	<u>3,500</u>
Debt Service Funds:		
Special Revenue Funds	13,321	-
Debt Service Fund	2,179	2,179
Proprietary Fund	<u>1,623</u>	<u>-</u>
Total debt service governmental	<u>17,123</u>	<u>2,179</u>
Total nonmajor governmental	<u>20,927</u>	<u>5,679</u>
Total Governmental Funds	<u>2,071,074</u>	<u>766,118</u>
<b>Business-Type Fund</b>		
Proprietary Fund:		
General Fund	593,028	22,113
Special Revenue Funds	8,351	1,882,599
Debt Service Fund	<u>-</u>	<u>1,623</u>
Total business-type funds	<u>601,379</u>	<u>1,906,335</u>
Total interfund receivables/payables	<u>\$ 2,672,453</u>	<u>\$ 2,672,453</u>

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 6 INTERGOVERNMENTAL AGREEMENTS

The City has entered into several agreements with the St. Mary Parish Council (Parish) as follows:

Under one agreement, the City has agreed to provide fire protection to areas outside of the city limits. The City receives a monthly fee for this service of approximately \$2,700.

The second agreement states that the City will operate and maintain a sewerage facility. Under this agreement, the Parish reimburses the City for 30% of these costs on a monthly basis.

The City, Parish, and St. Mary Parish Consolidated Drainage District No. 1 (District) have agreed to set up a fund for maintenance of the Yokely Pumping Station. Each of the three entities is to deposit into a Capital Maintenance Fund an amount equal to \$3,333 per year until the amount reaches the sum of \$50,000. At any time the fund falls below the \$50,000 threshold each entity is to replenish the fund the same equal basis until the fund is again at \$50,000. The District is in charge of overseeing the Capital Maintenance Fund and accounts for its activity, which has not been significant, on their separately issued financial statements.

The City, Parish, and St. Mary Parish Consolidated Drainage District No. 1 (District) have also entered into a cooperative endeavor agreement to equally fund the 30% Local share of Phase II of the Yokely Bayou State Project. Each of these entities has agreed to contribute approximately \$166,650 each or one-third of the local share of \$500,000.

### NOTE 7 RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets were applicable to the following at April 30, 2010:

Revenue bonds and interest sinking fund	\$ 240,774
Capital additions and contingencies fund	462,606
Reserve funds	<u>151,369</u>
	<u>\$ 854,749</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 8 CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2010, was as follows:

	Balance 4/30/09	Additions	Deletions	Balance 4/30/10
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 825,187	\$ -	\$ -	\$ 825,187
Construction in progress	<u>54,246</u>	<u>258,101</u>	<u>(197,136)</u>	<u>115,211</u>
Total capital assets not being depreciated	<u>879,433</u>	<u>258,101</u>	<u>(197,136)</u>	<u>940,398</u>
Capital assets being depreciated:				
Buildings	2,488,211	-	-	2,488,211
Improvements	14,080,972	197,136	-	14,278,108
Equipment	<u>3,678,302</u>	<u>706,975</u>	<u>(3,000)</u>	<u>4,382,277</u>
Total capital assets being depreciated	<u>20,247,485</u>	<u>904,111</u>	<u>(3,000)</u>	<u>21,148,596</u>
Less accumulated depreciation for:				
Buildings	(1,455,410)	(57,551)	-	(1,512,961)
Improvements	(7,520,245)	(430,674)	-	(7,950,919)
Equipment	<u>(2,105,337)</u>	<u>(345,595)</u>	<u>3,000</u>	<u>(2,447,932)</u>
Total accumulated depreciation	<u>(11,080,992)</u>	<u>(833,820)</u>	<u>3,000</u>	<u>(11,911,812)</u>
Total capital assets, being depreciated, net	<u>9,166,493</u>	<u>70,291</u>	<u>-</u>	<u>9,236,784</u>
Governmental activities capital assets, net	<u>\$ 10,045,926</u>	<u>\$ 328,392</u>	<u>\$(197,136)</u>	<u>\$ 10,177,182</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Construction in progress	<u>16,000</u>	<u>717,508</u>	<u>-</u>	<u>733,508</u>
Total capital assets not being depreciated	<u>26,000</u>	<u>717,508</u>	<u>-</u>	<u>743,508</u>
Capital assets being depreciated:				
Building improvements and equipment	4,538,499	122,815	-	4,661,314
Automotive equipment	284,402	12,200	-	296,602
Furniture and fixtures	<u>167,208</u>	<u>-</u>	<u>-</u>	<u>167,208</u>
Total capital assets being depreciated	<u>4,990,109</u>	<u>135,015</u>	<u>-</u>	<u>5,125,124</u>
Less accumulated depreciation for:				
Building improvements and equipment	(3,256,070)	(101,522)	-	(3,357,592)
Automotive equipment	(238,052)	(24,085)	-	(262,137)
Furniture and fixtures	<u>(161,220)</u>	<u>(2,404)</u>	<u>-</u>	<u>(163,624)</u>
Total accumulated depreciation	<u>(3,655,342)</u>	<u>(128,011)</u>	<u>-</u>	<u>(3,783,353)</u>
Total capital assets, being depreciated, net	<u>1,334,767</u>	<u>7,004</u>	<u>-</u>	<u>1,341,771</u>
Business-type activities capital assets, net	<u>\$ 1,360,767</u>	<u>\$ 724,512</u>	<u>\$ -</u>	<u>\$ 2,085,279</u>

# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 8 CHANGES IN CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 20,625
Judicial	2,538
Public safety:	
Police	84,141
Fire	147,835
Public works:	
Streets and drainage	130,632
Culture and recreation	78,130
Community development	16,723
Sanitation	353,196
Total depreciation expense, governmental activities	<u>\$ 833,820</u>
Business-type activities:	
Water	<u>\$ 128,011</u>

### NOTE 9 COMPENSATION OF CITY OFFICIALS

A detail of compensation paid to the Mayor and City Council for the year ended April 30, 2010 follows:

	<u>Salary</u>	<u>Expense Allowance</u>	<u>Car Allowance</u>
<u>Mayor:</u>			
Raymond Harris, Jr.	\$ 48,000	\$ 3,420	\$ 5,400
<u>Council:</u>			
Chuck Autin	6,000	1,800	-
Joseph Garrison	6,000	1,800	-
Dale Rogers	6,000	1,800	-
Eugene Foulcard	6,000	1,800	-
Kenny Scelfo	6,000	1,800	-
	<u>\$ 78,000</u>	<u>\$ 12,420</u>	<u>\$ 5,400</u>

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# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 10 CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended April 30, 2010:

	Balance April 30, 2009	Additions	Deletions	Balance April 30, 2010	Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 1,059,250	\$ -	\$ 113,000	\$ 946,250	\$ 118,000
Revenue Bonds	673,000	-	58,000	615,000	60,000
Special Assessment					
Sewerage Certificates	40,081	-	5,010	35,071	5,010
Certificates of Indebtness	-	150,000	-	150,000	20,000
Capital leases	436,073	-	45,237	390,836	47,618
Compensated absences	136,387	177,706	113,682	200,411	155,152
Total governmental activities	<u>2,344,791</u>	<u>327,706</u>	<u>334,929</u>	<u>2,337,568</u>	<u>405,780</u>
<u>Business-type activities:</u>					
Revenue bonds payable	<u>\$ 261,000</u>	<u>\$ 742,008</u>	<u>\$ 86,882</u>	<u>\$ 916,126</u>	<u>\$ 110,000</u>
 Total government	<u>\$ 2,605,791</u>	<u>\$ 1,069,714</u>	<u>\$ 421,811</u>	<u>\$ 3,253,694</u>	<u>\$ 515,780</u>

Bonds and certificates payable at April 30, 2010 are comprised of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
General Obligation Bonds:		
\$1,105,000 Sales Tax Refunding Bonds, Series 2005A, (to defease \$1,050,000 of Sales Tax Bonds Series ST-1996) dated May 1, 2005, due in annual installments of \$4,000 to \$122,000 maturing November 1, 2016; interest at 3.97%, secured by the City's 1% sales and use tax	\$ 810,000	\$ -
\$300,000 loan from the U.S. Department of Housing and Urban Development passed through the Louisiana Division of Administration, Office of Community Development due in monthly installments of \$1,250, bearing no interest, payable from rents received on the building	<u>136,250</u>	<u>-</u>
Total General Obligation Bonds Payable	<u>946,250</u>	<u>-</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 10    CHANGES IN LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business-type</u>
Revenue Bonds:		
1995 Water and Sewer Revenue Bonds, Series A, dated June 23, 1995; due in annual installments of \$20,000 to \$27,000 maturing March 1, 2015, interest at 2.95%; secured by a pledge of Utility and Liquid and Solid Waste revenues after reasonable and necessary operating expenses	\$ 128,000	\$ -
2000 Water and Sewer Revenue Bonds, Series 2000, dated July 28, 2000; due in annual installments of \$28,000 to \$53,000 maturing March 1, 2021; interest at 3.45%, secured by a pledge of Utility and Liquid and Solid Waste revenues after reasonable and necessary operating expenses	<u>487,000</u>	<u>-</u>
Total Revenue Bonds Payable	<u>615,000</u>	<u>-</u>
Special assessment:		
\$59,540 Sewerage Certificates, Series 2007, dated March 1, 2007; due in annual installments of \$5,954 through March 1, 2017; interest at 4.35% payable from Consolidated Sewerage Project 2007 Fund	35,071	-
Certificates of Indebtedness:		
\$150,000 Certificates of Indebtedness, Series 2009, dated October 9, 2009; due in annual installments of \$20,000 to \$24,000 maturing December 1, 2016; interest at 5% secured by a fire truck	150,000	-
Utility Revenue Bonds:		
\$355,000 Sales Tax Refunding Bonds, Series 2005B, (to defease \$355,000 of 1995 Water and Sewer Revenue Bonds, Series B) dated May 1, 2005, due in annual installments of \$3,000 to \$42,000, maturing November 1, 2015; interest at 3.89%; secured by revenues from the Utility and Liquid and Solid Waste Funds	-	229,000
\$2,705,000 Water and Sewer Revenue Bonds, Series 2009 A and B, dated February 2, 2010, due in annual installments of \$75,000 to \$118,000, maturing March 1, 2030; interest at 3.45%; secured by revenues from the Utility and Liquid and Solid Waste Funds. See note on Page 46.	<u>-</u>	<u>687,126</u>
Total bonds and certificates payable	<u>\$ 1,746,321</u>	<u>\$ 916,126</u>



# CITY OF FRANKLIN, LOUISIANA

## Notes to the Financial Statements

### NOTE 10 CHANGES IN LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of April 30, 2010, are as follows:

#### General Obligation Bonds:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 118,000	\$ 32,157	\$ 150,157
2012	122,000	28,068	150,068
2013	128,000	23,820	151,820
2014	132,000	19,334	151,334
2015	136,000	12,287	148,287
2016-2019	<u>310,250</u>	<u>17,131</u>	<u>327,381</u>
Total	<u>\$ 946,250</u>	<u>\$ 132,797</u>	<u>\$ 1,079,047</u>

#### Governmental Activities

#### Revenue Bonds:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 60,000	\$ 20,578	\$ 80,578
2012	63,000	18,628	81,628
2013	65,000	16,578	81,578
2014	67,000	14,468	81,468
2015	71,000	10,836	81,836
2016 - 2020	136,000	20,010	156,010
2021	<u>153,000</u>	<u>17,628</u>	<u>170,628</u>
Total	<u>\$ 615,000</u>	<u>\$ 118,726</u>	<u>\$ 733,726</u>

#### Special Assessment Sewerage Certificates:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,010	\$ 1,526	\$ 6,536
2012	5,010	1,308	6,318
2013	5,010	1,090	6,100
2014	5,010	872	5,882
2015	5,010	654	5,664
2016 - 2017	<u>10,021</u>	<u>654</u>	<u>10,675</u>
	<u>\$ 35,071</u>	<u>\$ 6,104</u>	<u>\$ 41,175</u>

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 10 CHANGES IN LONG-TERM DEBT (CONTINUED)

Certificates of Indebtedness:

Governmental Activities (Continued)

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 19,000	\$ 6,400	\$ 25,400
2012	20,000	5,650	25,650
2013	21,000	4,850	25,850
2014	21,000	4,000	25,000
2015	22,000	3,200	25,200
2016 - 2017	<u>47,000</u>	<u>3,550</u>	<u>50,550</u>
	<u>\$ 150,000</u>	<u>\$ 27,650</u>	<u>\$ 177,650</u>

Year Ending  
April 30,

Business-type Activities

2011	\$ 110,000	\$ 39,600	\$ 149,600
2012	112,000	40,320	152,320
2013	115,000	41,400	156,400
2014	119,000	42,840	161,840
2015	123,000	44,280	167,280
2016-2020	<u>337,126</u>	<u>121,365</u>	<u>458,491</u>
	<u>\$ 916,126</u>	<u>\$ 329,805</u>	<u>\$ 1,245,931</u>

The City entered into a loan agreement with the Louisiana Department of Health and Hospitals (Department) relating to the issuance of the \$2,705,000 Water and Sewer Revenue Bonds, Series 2009. The bonds were issued to finance the Water Rehabilitation Project. They have been issued in two series, \$811,000 of Water and Sewer Revenue Bonds Series A and \$1,894,000 of Water and Sewer Revenue Bonds Series B. The Series were sold to the Department and the purchase price of the Series A bond shall be paid to the City by the Department in installments on a "as-needed" basis. As the Department pays the installments on the Bond, the City's obligation to repay the principal for this particular bond will be forgiven.

The various bond indentures contain significant limitations and restrictions as to the annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage (see Notes 12 and 13). The City is in compliance with all such significant limitations and restrictions.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 10 CHANGES IN LONG-TERM DEBT (CONTINUED)

The City's general fund has acquired a piece of equipment with a basis of approximately \$595,000 under a capital lease. No other governmental funds have any significant leases. The City does rent various equipment from time to time on a short term basis.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of April 30, 2010:

Years ended:

2011	\$ 68,192
2012	68,192
2013	68,192
2014	68,192
2015	68,192
2016	<u>68,192</u>
Total minimum lease payments	409,152
Less: amount representing interest	<u>(18,316)</u>
Present value of net minimum lease payments	<u>\$ 390,836</u>

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CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 11 INTERFUND TRANSFERS

	Transfers in	Transfers out
<b>Governmental Funds</b>		
Major Funds:		
General Fund:		
Special Revenue Funds	\$ 245,504	\$ 1,766
Capital Projects Fund	49,702	481,444
Debt Service Funds	-	214,967
Proprietary Fund	-	7,589
Total General Fund	<u>295,206</u>	<u>705,766</u>
Special Revenue Fund:		
Liquid and Solid Waste Fund		
Debt Service Funds	1,092	80,406
Proprietary Fund	-	7,589
Total Special Revenue Fund	<u>1,092</u>	<u>87,995</u>
Total Major Funds	<u>296,298</u>	<u>793,761</u>
Nonmajor Funds:		
Special Revenue Funds		
General Fund	<u>1,766</u>	<u>245,505</u>
Debt Service Funds		
General Fund	214,967	-
Special Revenue Funds	80,406	1,091
Debt Service Funds	<u>1,434</u>	<u>1,434</u>
Total Debt Service Funds	<u>296,807</u>	<u>2,525</u>
Capital Projects Funds		
General Fund	<u>481,444</u>	<u>49,702</u>
Total Nonmajor Funds	<u>780,017</u>	<u>297,732</u>
<b>Total Governmental Funds</b>	<u>1,076,315</u>	<u>1,091,493</u>
<b>Business-Type Fund</b>		
Proprietary Fund		
General Fund	7,589	-
Special Revenue Funds	<u>7,589</u>	<u>-</u>
<b>Total Business-Type Fund</b>	<u>15,178</u>	<u>-</u>
<b>Total Interfund Transfers</b>	<u>\$ 1,091,493</u>	<u>\$ 1,091,493</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES

Under the terms of the bond indenture on outstanding 1995 Water and Sewer Revenue Bonds Series A, the 2000 Water and Sewer Revenue Bonds, and the 2005B Sales Tax Refunding Bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Utilities System (Proprietary) and Sewer System (Governmental—Liquid and Solid Waste) after reasonable and necessary operating expenses are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds:

Revenues earned from the operation of the Utility System and the Sewer System shall be deposited daily into a Utility Fund and Liquid and Solid Waste Fund, respectively. This fund will pay all reasonable and necessary expenses of administering, operating, and maintaining the Utilities Systems.

Each month, there will be set aside into a fund called the '95 Water and Sewer Revenue Bond Sinking Fund an amount ranging from \$2,337 to \$2,316 per month on or before the 20<sup>th</sup> of each month in the Utility and Liquid and Solid Waste Funds in proportion to their respective interest and principal payments. Each month, there will also be set aside into a fund called the "Water and Sewer Revenue Bonds Sinking Fund" an amount ranging from \$9,039 to \$16,298 per month. This sinking fund is to accommodate the principal and interest payments related to the Series 2000 and Series 2009B Water and Sewer Revenue Bonds. Each month, there will also be set aside into the "2005B Sales Tax Bond Sinking Account" (Utility Fund) an amount ranging from \$3,558 to \$3,636 per month. Such transfers shall be made by the 20<sup>th</sup> of each month and shall be fully sufficient to assure the prompt payment of principal and interest installments as they become due, and may be used only for such payments.

Amounts shall also be set aside into the '95 Water and Sewer Revenue Bond Reserve Fund until the reserve funds equals 25% of sinking fund requirements annually. Such amounts may be used only for the payment of maturing bonds and interest coupons for which sufficient funds are not on deposit in the '95 Water and Sewer Revenue Bond Sinking Fund and as to which there would otherwise be default.

There should also be set aside into a Water and Sewer Revenue Bonds Reserve Fund an amount equal to 10% of the proceeds of the Water and Sewer Revenue Bonds Series 2000 and 2009B or the highest combined principal and interest requirements for any succeeding bond year on the bonds until the Reserve Fund equals \$184,220 through April 30, 2011.

Funds in an amount equivalent to five percent (5%) of net revenue of the System of the preceding month will also be set aside into a "Capital Additions and Contingencies Account" in the Utility Fund. Money in this fund may be used to pay the principal and interest on the bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in this fund should ever be reduced below \$60,000, payments shall resume until \$60,000 is on deposit.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 12 FLOW OF FUNDS; RESTRICTIONS ON USE - UTILITIES REVENUES (CONTINUED)

Funds in the amount equivalent to five percent (5%) of the net revenue of the System of the preceding month will also be set aside into a 2000 Water and Sewer System Renewal and Replacement Fund. Money in the fund may be used to pay the principal and interest on both bonds falling due at any time there is not sufficient money for payment in the other bond funds. If the balance in the fund should ever be reduced below \$75,000, payments shall resume until \$75,000 is on deposit.

NOTE 13 DEDICATION OF PROCEEDS AND FLOW OF FUNDS - SALES AND USE TAXES

The City of Franklin collects sales taxes under three sales tax levies as follows:

Proceeds of a 1% sales and use tax levied by the City in 1966. (2010 collections \$1,118,386). Collections are accounted for in the General Fund. Proceeds of this tax shall be used for the following purposes: construction, acquisition, improvement, maintenance and repairs of streets, capital improvements, public works and buildings (including the acquisition of sites and necessary fixtures, equipment, furnishings and appurtenances, and the payment of obligations and refunding obligations which have been or may be issued for the purpose of acquiring and improving public works and buildings); for payment or supplementing salaries of all municipal employees; for the operation of recreational facilities; for the acquisition, maintenance, repairs and payment of operating expenses of equipment, vehicles, and other machinery owned by the municipality; and for any other public purpose authorized by state law.

Proceeds of a 3/4 of 1% sales and use tax levied by the City in 1973 (2010 collections \$1,011,435). Collections are accounted for in the Liquid and Solid Waste Fund—a special revenue fund. Proceeds are to be used for the construction, acquisition, extension, improvement, operation, and maintenance of solid waste collection and disposal facilities, sewers and sewerage disposal works, and other facilities for pollution control and abatement; and to pay debt service requirements on bonds issued for any of the above-mentioned purposes.

Proceeds of a 3/10 of 1% sales and use tax levied by the City in 1983 (2010 collections \$237,887). Collections are accounted for in the Public Safety Fund—a special revenue fund. Proceeds are dedicated to the following purposes: operating and maintaining the municipal police department, the municipal fire department and the volunteer fire department including paying or supplementing the salaries of municipal employees and personnel of those respective departments; and for the purpose of purchasing, constructing, acquiring, extending and/or improving all or any portion of public works or capital improvements, utilized or occupied by said departments.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 14 EMPLOYEE RETIREMENT

Eligible employees of the City participate in one of four multiple-employer public employee retirement systems (PERS): Municipal Employees' Retirement System of Louisiana Part A, Municipal Police Employees' Retirement System, the Louisiana State Employees' Retirement System, and the Firefighters' Retirement System of Louisiana. Each plan is controlled and administered by a separate board of trustees. These retirement systems provide retirement disability and death benefits to plan members and their beneficiaries. Pertinent information relative to each plan follows:

##### Municipal Employees' Retirement System of Louisiana Part A

This plan was established by the Louisiana legislature by Act 569 of 1968 and revised by Act 788 of 1978. Plan members are required to contribute 9.25 percent of their annual covered salary to the system while the City is required to contribute the statutory rate of 13.5 percent of the total annual covered salary for the year ended April 30, 2010. The City was also made contributions to the system of 13.5 and 13.75 percent of annual covered salaries for the years ended April 30, 2009 and 2008, respectively. The City's contributions to the system for the years ended April 30, 2010, 2009 and 2008 were \$194,140, \$150,403, and \$155,423, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Blvd., Baton Rouge, Louisiana 70809.

##### Municipal Police Employees' Retirement System

This plan was established by the Louisiana Legislature by Act 189 of 1973. Plan members are required to contribute 7.5 percent of their annual covered salary to the system while the City is required to contribute the statutory rate of 11.00 percent of the total annual covered salary. The City was also required to make contributions to the plan of 13.75 percent of annual covered salary for the years ended April 30, 2009 and 2008, respectively. The City's contributions to the system for the years ended April 30, 2010, 2009 and 2008 were \$44,651 \$34,576, and \$48,321, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 7722 Office Park Blvd., Suite 200, Baton Rouge, Louisiana 70809-7601.

##### Louisiana State Employees Retirement System

This plan was established by the Louisiana Legislature in 1946. There were no employees of the City enrolled in this plan for the year ended April 30, 2010, therefore there were no contributions made by the employees or the City. The City was required to make contributions to the plan of 18.5 and 20.4 percent of annual covered salary for the years ended April 30, 2009 and 2008, respectively. The City's contributions to the system for the years ended April 30, 2010, 2009 and 2008 were \$0, \$2,640 and \$4,305, respectively, equal to the required contribution for each year.

## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 14 EMPLOYEE RETIREMENT (CONTINUED)

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Louisiana State Employees' Retirement System of Louisiana, P.O. Box 44213, Baton Rouge, LA 70804.

##### Firefighters' Retirement System of Louisiana

This plan was established by the Louisiana Legislature in 1980. Plan members are required to contribute 8.0 percent of their annual covered salary to the system. The City is required to contribute the statutory rate of 14.0 percent of the total annual covered salary. The City was required to contribute the statutory rates of 12.5 and 13.75 percent of total annual covered salary for the years ended April 30, 2009 and 2008 respectively. The City's contributions to the system for the years ended April 30, 2010, 2009 and 2008 was \$1,309, \$116 and \$1,227, respectively, equal to the required contribution for each year. A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Firefighters' Retirement System, P. O. Box 94095 – Capital Station, Baton Rouge, Louisiana 70804.

##### Social Security Contributions

Employees of the City are also covered under the Federal Insurance Contributions Act (Social Security). The City makes the required contributions to the various plans and is not responsible for the benefits.

##### City of Franklin Funded Pension Plan

Prior to 1976, the City of Franklin had its own pension plan covering eligible employees. The City is still paying retirement benefits from City funds to an eligible spouse of a retired member in accordance with the policies, terms, and rates of the Franklin police retirement system which was in effect prior to joining the state system. The City is funding the pension costs when benefits are paid to this spouse. An actuarial evaluation has not been performed to determine the City's annual required contributions (ARC) nor the net pension obligations (NPO). Generally accepted accounting principles require recording and disclosure of the ARC and NPO. Payments by the City to persons entitled to benefits related to these prior retirement plans for the year ended April 30, 2010 totaled approximately \$7,400.

The City funds no other material post retirement benefits for its former employees.

#### NOTE 15 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition, the City provided certain medical and health insurance benefits to its employees and their dependents by use of a self-funded Employee Benefit Trust Fund.



## CITY OF FRANKLIN, LOUISIANA

### Notes to the Financial Statements

#### NOTE 15 RISK MANAGEMENT (CONTINUED)

The City has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. However, it is the policy of the City to retain the risk of losses related to: action of its police officers, general public liability (excluding vehicles and buildings), and a portion of employee medical and health benefits.

The City is insured up to policy limits for each of the above risks. There were no significant changes in coverages, retentions, or limits during the year ended April 30, 2010. Settled claims have not exceeded the commercial coverages in any of the previous three fiscal years.

#### NOTE 16 PENDING LITIGATION

There are several claims pending against the City. The City's legal counsel has reviewed the City's claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the City. It is the opinion of the City, after conferring with legal counsel, that the liabilities, if any, which might arise from these lawsuits would not have a material adverse effect on the City's financial position.

#### NOTE 17 FAIR VALUE MEASUREMENTS

On May 1, 2008 the City adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure of fair value. The hierarchy requires the entity to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

CITY OF FRANKLIN, LOUISIANA

Notes to the Financial Statements

NOTE 17 FAIR VALUE MEASUREMENTS (CONTINUED)

The following methods and assumptions were used by the City in estimating fair values of financial instruments as disclosed herein:

Cash and interest-bearing deposits—The carrying amount of cash and short-term instruments approximate their fair value.

Accounts receivables and other current assets—These items are recorded at amounts that approximate fair value due to their short term nature.

Accounts payable and other accrued liabilities—These items are recorded at amounts that approximate fair value due to their short term nature.

Long-term debt—The carrying amounts of all long-term debt instruments approximate fair value.

NOTE 18 RESTATEMENT OF PRIOR YEAR FINANCIALS

The financial statements for April 30, 2009 for the General Fund have been restated to correct for the erroneous over accrual of FEMA receivables and the under accrual of accrued liabilities and payables. The result of these corrections is a net decrease in fund balance of \$102,330.

## **REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
General Fund  
Year Ended April 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 426,000	\$ 455,000	\$ 464,211	\$ 9,211
Interest and notices on ad valorem taxes	6,000	6,000	9,297	3,297
Sales	1,356,000	1,488,100	1,455,448	(32,652)
Franchise fees	410,000	476,800	471,294	(5,506)
	<u>2,198,000</u>	<u>2,425,900</u>	<u>2,400,250</u>	<u>(25,650)</u>
Intergovernmental:				
Beer taxes	13,500	13,500	12,982	(518)
Video poker	210,000	210,000	182,020	(27,980)
Indian mitigation	-	42,000	42,000	-
State grants	54,927	150,000	58,206	(91,794)
Federal grants	102,500	300,000	506,385	206,385
St. Mary Parish Council	92,720	210,436	244,992	34,556
Other governments	41,500	41,500	63,722	22,222
	<u>515,147</u>	<u>967,436</u>	<u>1,110,307</u>	<u>142,871</u>
Licenses and permits	<u>327,000</u>	<u>362,000</u>	<u>391,154</u>	<u>29,154</u>
Fines and forfeits	<u>104,500</u>	<u>111,000</u>	<u>110,062</u>	<u>(938)</u>
Rentals	<u>35,250</u>	<u>31,650</u>	<u>26,688</u>	<u>(4,962)</u>
Investment earnings	<u>15,500</u>	<u>15,500</u>	<u>3,602</u>	<u>(11,898)</u>
Miscellaneous:				
Cemetery plot sales	12,000	24,000	17,025	(6,975)
Mausoleum sales	8,000	25,000	33,891	8,891
Other sources	36,529	65,100	87,926	22,826
	<u>56,529</u>	<u>114,100</u>	<u>138,842</u>	<u>24,742</u>
Total revenues	<u>3,251,926</u>	<u>4,027,586</u>	<u>4,180,905</u>	<u>153,319</u>

CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule (Continued)  
General Fund  
Year Ended April 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Expenditures:				
General Government -				
Administrative	\$ 264,575	\$ 271,767	\$ 279,167	\$ (7,400)
Judicial	197,550	246,303	272,674	(26,371)
Public Safety -				
Police	1,094,000	1,196,280	1,333,013	(136,733)
Fire	322,914	353,999	387,000	(33,001)
Public works -				
Streets and drainage	700,265	797,376	840,323	(42,947)
Culture and recreation	435,243	648,393	702,303	(53,910)
Community development	96,800	132,250	155,255	(23,005)
Miscellaneous	-	2,400	2,903	(503)
Capital Outlay -				
Administrative	2,500	3,150	1,695	1,455
Police	20,000	210,000	208,970	1,030
Fire	54,927	15,000	3,100	11,900
Public works	22,000	65,000	72,352	(7,352)
Culture and recreation	2,500	45,000	34,368	10,632
Community development	-	1,800	-	1,800
Total expenditures	<u>3,213,274</u>	<u>3,988,718</u>	<u>4,293,123</u>	<u>(304,405)</u>
Excess of revenues over expenditures	<u>38,652</u>	<u>38,868</u>	<u>(112,218)</u>	<u>(151,086)</u>
Other financing sources (uses):				
Certificates of Indebtedness	-	150,000	150,000	-
Operating transfers in	216,000	296,102	295,206	(896)
Operating transfers out	<u>(206,450)</u>	<u>(484,969)</u>	<u>(705,766)</u>	<u>(220,797)</u>
Total other financing sources (uses)	<u>9,550</u>	<u>(38,867)</u>	<u>(260,560)</u>	<u>(221,693)</u>
Excess of revenues and other sources over expenditures and other uses	<u>48,202</u>	<u>1</u>	<u>(372,778)</u>	<u>(372,779)</u>
Fund balance, beginning	<u>1,152,398</u>	<u>1,152,398</u>	<u>1,223,073</u>	<u>70,675</u>
Fund balance, ending	<u>\$ 1,200,600</u>	<u>\$ 1,152,399</u>	<u>\$ 850,295</u>	<u>\$ (302,104)</u>

## CITY OF FRANKLIN, LOUISIANA

Budgetary Comparison Schedule  
 Liquid and Solid Waste Fund  
 Year Ended April 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues:				
Taxes:				
Ad valorem	\$ 173,500	\$ 196,000	\$ 196,095	\$ 95
Sales	960,000	1,026,000	1,011,435	(14,565)
Intergovernmental:				
St. Mary Parish Council	198,263	250,615	220,468	(30,147)
Charges for services:				
Sewer user fees	347,079	275,000	133,122	(141,878)
Garbage and landfill fees	532,000	532,000	679,591	147,591
Investment earnings	7,000	7,000	1,133	(5,867)
Total revenues	<u>2,217,842</u>	<u>2,286,615</u>	<u>2,241,844</u>	<u>(44,771)</u>
Expenditures:				
Sanitation:				
Administrative	271,199	286,995	318,194	(31,199)
Solid waste department	648,000	648,000	578,686	69,314
Sewer collection	191,102	215,580	216,617	(1,037)
Sewer plant	660,080	768,385	692,999	75,386
Meter department	37,740	51,220	51,468	(248)
Capital Outlay -				
Administrative	500	2,150	1,698	452
Sewer collection	5,700	43,300	59,926	(16,626)
Sewer plant	-	67,000	61,675	5,325
Total expenditures	<u>1,814,321</u>	<u>2,082,630</u>	<u>1,981,263</u>	<u>101,367</u>
Excess of revenues over expenditures	403,521	203,985	260,581	56,596
Other financing sources (uses)				
Operating transfers in	3,656	3,856	1,092	(2,764)
Operating transfers out	(80,543)	(80,543)	(87,996)	(7,453)
Total other financing sources (uses)	<u>(76,887)</u>	<u>(76,687)</u>	<u>(86,904)</u>	<u>(10,217)</u>
Excess of revenues and other sources over expenditures and other uses	326,634	127,298	173,677	46,379
Fund balance, beginning	<u>2,480,052</u>	<u>2,480,052</u>	<u>2,480,052</u>	-
Fund balance, ending	<u>\$ 2,806,686</u>	<u>\$ 2,607,350</u>	<u>\$ 2,653,729</u>	<u>\$ 46,379</u>

## **SUPPLEMENTAL INFORMATION**

## CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds  
April 30, 2010

	Special Revenue				
	Summer Feeding Program Fund	Public Safety Fund	Revolving Loan Fund	W. McKerall O'Neill Shell Fund	Narcotic Aid Fund
<b>ASSETS</b>					
Cash and interest bearing deposits	\$ 19,551	\$ 3,106	\$120,963	\$ 38,131	\$ 12,545
Taxes receivable	-	42,412	-	-	-
Special assessments receivable	-	-	-	-	-
Loans receivable, net of allowance	-	-	31,111	2,695	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 19,551</u>	<u>\$ 45,518</u>	<u>\$152,074</u>	<u>\$ 40,826</u>	<u>\$ 12,545</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Contracts payable	-	-	-	-	-
Due to other funds	-	3,000	500	-	-
Total liabilities	-	<u>3,000</u>	<u>500</u>	-	-
<b>Fund balances:</b>					
Reserved -					
Debt service	-	-	-	-	-
Perpetual care	-	-	-	-	-
Unreserved -					
Undesignated	<u>19,551</u>	<u>42,518</u>	<u>151,574</u>	<u>40,826</u>	<u>12,545</u>
Total fund balances	<u>19,551</u>	<u>42,518</u>	<u>151,574</u>	<u>40,826</u>	<u>12,545</u>
Total liabilities and fund balances	<u>\$ 19,551</u>	<u>\$ 45,518</u>	<u>\$152,074</u>	<u>\$ 40,826</u>	<u>\$ 12,545</u>



Special Revenue (Continued)			Capital Projects	
2000 Water and Sewer System Renewal and Replacement Fund	LCDBG Housing Grant	Mausoleum Endowed Care	LCDBG Economic Development Fund	Capital Outlay Fund
\$ 75,000	\$ 828	\$ 5,948	\$ 5,401	\$ 132,985
-	-	-	-	-
-	-	-	-	-
-	-	3,804	-	-
<u>\$ 75,000</u>	<u>\$ 828</u>	<u>\$ 9,752</u>	<u>\$ 5,401</u>	<u>\$ 132,985</u>
\$ -	\$ -	\$ -	\$ 1,250	\$ -
-	-	-	-	-
-	-	-	-	22,043
-	-	-	-	-
-	-	-	1,250	22,043
-	-	-	-	-
-	-	-	-	-
<u>75,000</u>	<u>828</u>	<u>9,752</u>	<u>4,151</u>	<u>110,942</u>
<u>75,000</u>	<u>828</u>	<u>9,752</u>	<u>4,151</u>	<u>110,942</u>
<u>\$ 75,000</u>	<u>\$ 828</u>	<u>\$ 9,752</u>	<u>\$ 5,401</u>	<u>\$ 132,985</u>

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
April 30, 2010

	Debt Service			
	Consolidated Sewerage District No. 1 Sinking Fund	1995 Water and Sewer Revenue Bond Sinking Fund	1995 Water and Sewer Revenue Bond Reserve Fund	Sales Tax Bond Sinking Fund 2005A
<b>ASSETS</b>				
Cash and interest bearing deposits	\$ 219	\$ 21,535	\$ 28,500	\$ 125,421
Taxes receivable	-	-	-	-
Special assessments receivable	35,071	-	-	-
Loans receivable, net of allowance	-	-	-	-
Due from other funds	<u>13,321</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 48,611</u>	<u>\$ 21,535</u>	<u>\$ 28,500</u>	<u>\$ 125,421</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accrued liabilities	\$ -	\$ -	\$ -	\$ -
Deferred revenue	35,071	-	-	-
Contracts payable	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>35,071</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances:</b>				
Reserved -				
Debt service	13,540	21,535	28,500	125,421
Perpetual care	-	-	-	-
Unreserved -				
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>13,540</u>	<u>21,535</u>	<u>28,500</u>	<u>125,421</u>
Total liabilities and fund balances	<u>\$ 48,611</u>	<u>\$ 21,535</u>	<u>\$ 28,500</u>	<u>\$ 125,421</u>

Debt Service (Continued)

Sales Tax Bond Reserve Fund 2005A	1998 Sales Tax Fire Equipment Sinking Fund	2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund
\$ 153,687	\$ 47,554	\$ 39,049	\$ 54,828
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,623</u>	<u>-</u>	<u>2,179</u>	<u>-</u>
<u>\$ 155,310</u>	<u>\$ 47,554</u>	<u>\$ 41,228</u>	<u>\$ 54,828</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,179</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,179</u>
155,310	47,554	41,228	52,649
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>155,310</u>	<u>47,554</u>	<u>41,228</u>	<u>52,649</u>
<u>\$ 155,310</u>	<u>\$ 47,554</u>	<u>\$ 41,228</u>	<u>\$ 54,828</u>

CITY OF FRANKLIN, LOUISIANA

Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
April 30, 2010

	Permanent Fund	Total Nonmajor Governmental Funds
	2000 Cemetery Fund	
<b>ASSETS</b>		
Cash and interest bearing deposits	\$ 32,564	\$ 917,815
Taxes receivable	-	42,412
Special assessments receivable	-	35,071
Loans receivable, net of allowance	-	33,806
Due from other funds	-	20,927
Total assets	<u>\$ 32,564</u>	<u>\$ 1,050,031</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accrued liabilities	\$ -	\$ 1,250
Deferred revenues	-	35,071
Contracts payable	-	22,043
Due to other funds	-	5,679
Total liabilities	<u>-</u>	<u>64,043</u>
Fund balances:		
Reserved -		
Debt service	-	485,737
Perpetual care	32,564	32,564
Unreserved -		
Undesignated	-	467,687
Total fund balances	<u>32,564</u>	<u>985,988</u>
Total liabilities and fund balances	<u>\$ 32,564</u>	<u>\$ 1,050,031</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended April 30, 2010

	Special Revenue				
	Summer Feeding Program Fund	Public Safety Fund	Revolving Loan Fund	W. McKerral O'Neill Shell Fund	Narcotic Aid Fund
Revenues:					
Taxes	\$ -	\$ 237,887	\$ -	\$ -	\$ -
Intergovernmental					
Federal grants	50,128	-	-	-	-
State grants	-	-	-	-	-
Other governmental entities	-	-	-	-	-
Assessments	-	-	-	-	-
Charges for services	-	-	-	-	13,665
Rentals	-	-	-	-	-
Mausoleum sales	-	-	-	-	-
Investment earnings	-	-	928	20	-
Total revenues	<u>50,128</u>	<u>237,887</u>	<u>928</u>	<u>20</u>	<u>13,665</u>
Expenditures:					
Current -					
Public safety:					
Police	-	-	-	-	15,354
Urban redevelopment	-	-	-	-	-
Mausoleum maintenance	-	-	-	-	-
Food services	46,802	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service -					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	18	80	233	-
Total expenditures	<u>46,802</u>	<u>18</u>	<u>80</u>	<u>233</u>	<u>15,354</u>
Excess (deficiency) of revenues over expenditures	<u>3,326</u>	<u>237,869</u>	<u>848</u>	<u>(213)</u>	<u>(1,689)</u>
Other financing sources (uses)					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(245,425)	-	-	-
Total other financing sources	<u>-</u>	<u>(245,425)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>3,326</u>	<u>(7,556)</u>	<u>848</u>	<u>(213)</u>	<u>(1,689)</u>
Fund balances, beginning of year	<u>16,225</u>	<u>50,074</u>	<u>150,726</u>	<u>41,039</u>	<u>14,234</u>
Fund balances, end of year	<u>\$ 19,551</u>	<u>\$ 42,518</u>	<u>\$ 151,574</u>	<u>\$ 40,826</u>	<u>\$ 12,545</u>

Special Revenue (Continued)			Capital Projects	
2000 Water and Sewer System Renewal and Replacement Fund	LCDBG Housing Grant	Mausoleum Endowed Care	LCDBG Economic Development Fund	Capital Outlay Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	17,985	-	-	-
-	-	-	-	27,549
-	-	-	-	55,555
-	-	-	-	-
-	-	-	-	-
-	-	-	15,000	-
-	-	3,808	-	-
379	-	16	-	293
<u>379</u>	<u>17,985</u>	<u>3,824</u>	<u>15,000</u>	<u>83,397</u>
-	-	-	-	-
-	17,985	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	521,291
-	-	-	15,000	-
-	-	-	-	-
-	132	180	-	39
-	<u>18,117</u>	<u>180</u>	<u>15,000</u>	<u>521,330</u>
<u>379</u>	<u>(132)</u>	<u>3,644</u>	<u>-</u>	<u>(437,933)</u>
-	-	1,766	-	481,444
<u>(600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,702)</u>
<u>(600)</u>	<u>-</u>	<u>1,766</u>	<u>-</u>	<u>431,742</u>
(221)	(132)	5,410	-	(6,191)
<u>75,221</u>	<u>960</u>	<u>4,342</u>	<u>4,151</u>	<u>117,133</u>
<u>\$ 75,000</u>	<u>\$ 828</u>	<u>\$ 9,752</u>	<u>\$ 4,151</u>	<u>\$ 110,942</u>

CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended April 30, 2009

	Debt Service			
	Consolidated Sewerage District No. 1 Sinking Fund	1995 Water and Sewer Revenue Bond Sinking Fund	1995 Water and Sewer Revenue Bond Reserve Fund	Sales Tax Bond Sinking Fund 2005A
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal grant	-	-	-	-
State grants	-	-	-	-
Other governmental entities	-	-	-	-
Assessments	4,962	-	-	-
Charges for services	-	-	-	-
Rentals	-	-	-	-
Mausoleum sales	-	-	-	-
Investment earnings	1,801	143	-	59
Total revenues	<u>6,763</u>	<u>143</u>	<u>-</u>	<u>59</u>
Expenditures:				
Current -				
Public safety:				
Police	-	-	-	-
Urban redevelopment	-	-	-	-
Food services	-	-	-	-
Capital outlay	-	-	-	-
Debt Service -				
Principal	5,010	23,000	-	98,000
Interest	1,883	4,453	-	34,252
Miscellaneous	-	-	-	108
Total expenditures	<u>6,893</u>	<u>27,453</u>	<u>-</u>	<u>132,360</u>
Excess (deficiency) of revenues over expenditures	<u>(130)</u>	<u>(27,310)</u>	<u>-</u>	<u>(132,301)</u>
Other financing sources (uses)				
Operating transfer in	-	28,050	-	139,584
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>28,050</u>	<u>-</u>	<u>139,584</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>(130)</u>	<u>740</u>	<u>-</u>	<u>7,283</u>
Fund balances, beginning of year	<u>13,670</u>	<u>20,795</u>	<u>28,500</u>	<u>118,138</u>
Fund balances, end of year	<u>\$ 13,540</u>	<u>\$ 21,535</u>	<u>\$ 28,500</u>	<u>\$ 125,421</u>

Debt Service (Continued)

Sales Tax Bond Reserve Fund 2005A	1998 Sales Tax Fire Equipment Sinking Fund	2000 Water and Sewer Revenue Bond Sinking Fund	2000 Water and Sewer Revenue Bond Reserve Fund
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,434	17	205	327
<u>1,434</u>	<u>17</u>	<u>205</u>	<u>327</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	45,237	35,000	-
-	24,122	20,619	-
-	-	-	-
-	<u>69,359</u>	<u>55,619</u>	-
1,434	(69,342)	(55,414)	327
-	76,817	52,356	-
<u>(1,434)</u>	-	-	<u>(491)</u>
(1,434)	76,817	52,356	(491)
-	7,475	(3,058)	(164)
155,310	40,079	44,286	52,813
<u>\$ 155,310</u>	<u>\$ 47,554</u>	<u>\$ 41,228</u>	<u>\$ 52,649</u>



CITY OF FRANKLIN, LOUISIANA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
Year Ended April 30, 2010

	Permanent Fund	
	2000 Cemetery Fund	Total Nonmajor Governmental Funds
Revenues:		
Taxes	\$ -	\$ 237,887
Intergovernmental		
Federal grant	-	68,113
State grants	-	27,549
Other governmental entities	-	55,555
Assessments	-	4,962
Charges for services	-	13,665
Rentals	-	15,000
Mausoleum sales	-	3,808
Investment earnings	79	5,701
Total revenues	<u>79</u>	<u>432,240</u>
Expenditures:		
Current -		
Public safety:		
Police	-	15,354
Urban redevelopment	-	17,985
Food services	-	46,802
Capital outlay	-	521,291
Debt Service -		
Principal	-	221,247
Interest and fiscal charges	-	85,329
Miscellaneous	-	790
Total expenditures	<u>-</u>	<u>908,798</u>
Excess (deficiency) of revenues over expenditures	<u>79</u>	<u>(476,558)</u>
Other financing sources (uses):		
Operating transfers in	-	780,017
Operating transfers out	(79)	(297,731)
Total other financing sources (uses)	<u>(79)</u>	<u>482,286</u>
Excess (deficiency) of revenues over expenditures and other financing uses	-	5,728
Fund balances, beginning of year	<u>32,564</u>	<u>980,260</u>
Fund balances, end of year	<u>\$ 32,564</u>	<u>\$ 985,988</u>

**INTERNAL CONTROL  
AND  
COMPLIANCE**



## Darnall, Sikes, Gardes Frederick<sub>LLC</sub>

(A Corporation of Certified Public Accountants)

### Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Raymond Harris Jr., Mayor  
and Members of the City Council  
City of Franklin, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Franklin, Louisiana, as of and for the year ended April 30, 2010, which collectively comprise the City of Franklin, Louisiana's basic financial statements and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Franklin, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a control deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above and is listed in the accompanying schedule of findings and questioned costs as item 10-3.

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Rachel W. Ashford, CPA  
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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Franklin, Louisiana's financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 10-1, 10-2, 10-4, 10-5, and 10-6.

This report is intended for the information and use of the management, federal awarding agencies, and pass through entities. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, therefore its distribution is not limited.

*Dannall, Sikes, Gardes & Frederick*

A Corporation of Certified Public Accountants

Morgan City, Louisiana

January 14, 2011



## Darnall, Sikes, Gardes Frederick

(A Corporation of Certified Public Accountants)

### Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

The Honorable Raymond Harris, Jr. Mayor  
and Members of the City Council  
City of Franklin, Louisiana

#### Compliance

We have audited the compliance of the City of Franklin, Louisiana with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2010. The City of Franklin, Louisiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Franklin, Louisiana's management. Our responsibility is to express an opinion on the City of Franklin, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Franklin, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Franklin, Louisiana's compliance with those requirements.

In our opinion, the City of Franklin, Louisiana complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended April 30, 2010. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

#### Internal Control Over Compliance

The management of the City of Franklin, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Franklin,

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Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Franklin, Louisiana's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, federal awarding agencies, and pass-through entities. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, therefore its distribution is not limited.

*Dannall, Sikes, Gaudes & Frederick*  
(A Corporation of Certified Public Accountants)

Morgan City, Louisiana  
January 14, 2011

# CITY OF FRANKLIN, LOUISIANA

## Schedule of Expenditures of Federal Awards Year Ended April 30, 2010

Federal Grantor/Pass Through Grantor/ Program Name	CFDA Number	Pass Through Entity Identifying Number	Amount
United States Department of Agriculture Passed through the Louisiana Department of Education Summer Food Service Program for Children (Summer Feeding Program)	10.559	06-LA-300344	\$ 50,128
United States Department of Housing and Urban Development Passed Through Louisiana Office of Community Development Community Development Block Grant/State's Program	14.228	601203	17,985
United States Environmental Protection Agency Passed through State of Louisiana Department of Health and Hospitals ARRA--Capitalization Grants for Drinking Water State Revolving Funds	66.468	1101003-01	54,881
Capitalization Grants for Drinking Water State Revolving Funds	66.468	1101003-01	632,245
United States Department of Health and Human Services Passed Through State of Louisiana Highway Safety Commission Strategic Prevention Framework State Incentive Grant	93.243	KAFR-09-0512	24,869
United States Department of Health and Human Services Passed Through Louisiana Department of Social Services Office of Family Support Temporary Assistance for Needy Families	93.558		56,416
United States Department of Transportation Passed Through Louisiana Department of Labor Job Access and Reverse Commute Program	20.516	LA-37-X026	194,835
United States Department of Justice Direct Awards Bureau of Justice Assistance Bulletproof Vest Partnership Grant	16.607	2009-SB-B9-1672	292
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	2009-SB-B9-1672	41,853
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-1672	6,937
Total Department of Justice Direct Awards			49,082
Passed Through Louisiana Commission on Law Enforcement and Administration of Criminal Justice ARRA - Edward Byrne Memorial Justice Assistance Grant--Enhanced Crime Scene Unit	16.803	2009-SU-B9-0023	111,088
Total Department of Justice Awards			160,170
United States Federal Emergency Management Agency Passed Through Governor's Office of Homeland Security and Emergency Preparedness Homeland Security Grant Program	97.067	2008-GE-T8-013	4,223
Hazard Mitigation Grant	97.039	FEMA-1603-DR-LA	32,708
Public Assistance Grant - Hurricane Gustav	97.036	FEMA-1786-DR-LA	33,165
Total United States Federal Emergency Management Agency			70,096
Total expenditures of federal awards			<u>\$ 1,261,625</u>

CITY OF FRANKLIN, LOUISIANA

Schedule of Expenditures of Federal Awards (Continued)  
Year Ended April 30, 2010

NOTE 1 BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of the City of Franklin, Louisiana and is presented on the same basis of accounting as described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations".



CITY OF FRANKLIN, LOUISIANA

Summary Schedule of Prior Year Findings  
Year Ended April 30, 2010

- 09-1 Finding: Adjusting Journal Entries  
Status: This finding is resolved.
- 09-2 Finding: Audit Report Not Submitted Timely  
Status: This finding is unresolved. See current year finding 10-1.
- 09-3 Finding: Budget Violations  
Status: This finding is unresolved. See current year finding 10-2.
- 09-4 Finding: Reconciliation of Various Accounts to Subsidiary Ledgers  
Status: This finding is unresolved. See current year finding 10-3.
- 09-5 Finding: Application of Generally Accepted Accounting Principles  
Status: This finding is resolved.
- 09-6 Finding: Community Development Block Grant/Small Cities Program  
Status: This finding is unresolved. See current year finding 10-6.
- 09-7 Finding: Actuarial Valuation of Pension Costs  
Status: This finding is unresolved. See current year finding 10-5.
- 09-8 Finding: Unsubstantiation of Certain Expenditures  
Status: This finding is resolved.

## CITY OF FRANKLIN, LOUISIANA

### Schedule of Findings and Questioned Costs Year Ended April 30, 2010

#### Part 1 Summary of Audit Results

##### FINANCIAL STATEMENTS

###### Auditor's Report

A qualified opinion has been issued on the City of Franklin's basic financial statements as of and for the year ended April 30, 2010 due to lack of proper reporting of certain pension related costs.

###### Internal Control Deficiencies - Financial Reporting

A material weakness was disclosed during the audit of the financial statements and is shown as item 10-3 in Part 2.

###### Material Noncompliance - Financial Reporting

The results of our tests disclosed five instances of noncompliance which are required to be reported under Government Auditing Standards which are shown as items 10-1, 10-2, 10-4 and 10-5 Part 2 and 10-7 in Part 3.

##### FEDERAL AWARDS

###### Major Program -- Identification

The City of Franklin, Louisiana, at April 30, 2010, had one major program:

Capitalization Grants for Drinking Water State Revolving Loans Funds (American Recovery and Reinvestment Act), CFDA 66.468 which received funds from the U.S. Environmental Protection Agency "passed through" the Louisiana Department of Environmental Quality.

###### Low-Risk Auditee

An entity is considered a low-risk auditee if it meets all of the following criteria, specified in the OMB Circular A-133, section 530, for each of the previous two years:

- Single audits were performed on an annual basis.
- The auditor's opinions on the financial statements and the schedule of expenditures of federal awards were unqualified.
- No material weaknesses in internal control, as defined by the Yellow Book, were identified.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 2010

Low-Risk Auditee (Continued)

- None of the federal programs had audit findings from any of the following in any of the preceding two years in which they were classified as Type A programs:
  - Material weaknesses in internal controls.
  - Noncompliance with the provisions of laws, regulations, contracts, or grant agreements that had a material effect on the Type A programs.
  - Known or likely questioned costs which exceed five percent of the total federal awards expended for a Type A program during the year.

For the fiscal year ended April 30, 2010, the City of Franklin, Louisiana was not considered a low-risk auditee.

Major Program - Threshold

The dollar threshold to distinguish Type A and Type B programs is \$300,000 for the fiscal year ended April 30, 2010.

Auditor's Report - Major Program

An unqualified opinion has been issued on the City of Franklin, Louisiana's compliance for its major program as of and for the year ended April 30, 2010.

Internal Control Deficiencies - Major Program

No control deficiencies were disclosed during the audit of major programs.

Compliance Findings Related to Federal Programs

The results of our test disclosed no instance of noncompliance during the audit of major programs.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 2010

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*

10-1 Audit Report Not Submitted Timely

Finding:

The April 30, 2010 audit report was not completed for submission to the Legislative Auditor's Office within the time limits specified under Louisiana Audit Law.

Cause:

Due to the turnover of accounting personnel during the year under audit, additional time was required to allow management to adequately prepare financial statements and supporting documentation to complete auditing procedures.

Effect:

Late reporting to the Louisiana Legislative Auditor's Office is a violation of State Audit Law.

Recommendation:

Management should make every effort to comply with state law and submit its audit within the specified time limit.

10-2 Budget Violations

Finding:

The City's actual expenditures exceeded budgeted expenditures in excess of 5% for the General Fund. This is a violation of LSA-RS-39:1311.

Cause:

Due to several adjustments at year end to reconcile general ledger accounts to subsidiary ledgers causing several expenditure line items to be in excess of the 5% variance which is in violation of State Budget Law.

Effect:

Inaccurate budgeting is disadvantageous to fiscal responsibility.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 2010

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*  
(Continued)

Recommendation:

The City should implement procedures to monitor budget variances and amend the budget when required.

10-3 Reconciliation of Various Accounts to Subsidiary Ledgers

Finding:

The City did not adequately adhere to reconciling subsidiary ledgers to the general ledger control accounts for several accounts on a timely basis.

Cause:

Due to a turnover in accounting personnel during the year under audit management required additional time to resolve reconciliation issues for several balance sheet accounts. The subsidiary ledgers for some of these accounts were determined to not be accurate and had to be amended prior to reconciliation with the general ledger.

Effect:

Failure to perform reconciliations of significant accounts in a timely and accurate manner could result in material misstatements in the financial statements.

Recommendation:

A timely and consistent reconciliation of all subsidiary ledgers to their respective general ledger control accounts should be performed in order to insure that the total of all subsidiary accounts agrees to the general ledger accounts as of the closing of the fiscal year end. Subsidiary ledgers should be analyzed prior to the reconciliation with the general ledger control accounts for accuracy to ensure accurate reporting.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 2010

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*  
(Continued)

10-4 Sinking Fund Payments

Finding:

Bond covenants require that payments be made into the sinking fund cash accounts on or before the 20<sup>th</sup> of each month. We noted as part of our auditing procedures that, even though all monthly deposits were made, that there were several payments that were made after the required date.

Cause:

Inadequate management supervision over sinking fund deposits.

Effect:

Not making sinking fund payments by the 20<sup>th</sup> of each month is in violation of bond covenants.

Recommendation:

Management should implement procedures to ensure that all sinking fund deposits be made either before or on the 20<sup>th</sup> of each month as required by bond covenants.

10-5 Actuarial Valuation of Pension Costs

Finding:

The annual pension costs and net pension obligations for the spouse of a former employee are not computed nor reported in accordance with generally accepted accounting principles.

Cause:

The cost/benefit of having this liability actuarially calculated has been determined to not be feasible.

CITY OF FRANKLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 2010

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*  
(Continued)

Effect:

The potential liability is not reflected in the financial statements of the City.

Recommendation:

The City should continue to assess the cost/benefit of calculating this potential liability.

Part 3 Findings and Questioned Costs Relating to a Non Major Federal Program

10-6 Community Development Block Grant/Small Cities Program

Finding:

Annual report prepared by a certified public accountant from the Developer is not submitted to the City of Franklin, Louisiana as required by the contract between the Developer and the City of Franklin. The report should include financial statements, all required note disclosures, as well as specific information regarding payroll of the developer. The report is required to be submitted to the City no later than thirty days after the end of the time period covered by the report.

Cause:

Failure on the part of the Developer to have the required reports prepared.

Effect:

The City not receiving this report is in violation of the contract between the Developer and the City.

Recommendation:

The City should continue to request the required reports as specified in the contract between the City and the Developer.

CITY OF FRANKLIN, LOUISIANA

Management's Corrective Action Plan For Current Year Findings  
Year Ended April 30, 2010

Response to Finding 10-1:

During the current year under audit there was a turnover of accounting personnel that resulted in multiple persons adjusting the accounts and records of the City. This resulted in an inconsistency in application of generally accepted accounting principles. Additional time was required to correct this inconsistency which resulted in the report being submitted late to the Legislative Auditor's Office. The current Chief Financial Officer has been with the City for a full annual accounting cycle and has made adjustments to accounts and implemented procedures to assure that all transactions going forward are accurately and timely recorded. This person will ensure that all preparatory work for upcoming audits will be completed in a timely manner so that the audit fieldwork and the report will be finished within the guidelines of state law.

Response to Finding 10-2:

The City has implemented procedures to closely monitor budget variances and to make amendments to the budgets when required and within the guidelines of state law.

Response to Finding 10-3:

The City has implemented procedures to ensure that all subsidiary ledgers are accurate and are reconciled to general ledger control accounts on a timely basis.

Response to Finding 10-4:

During the current year under audit there were multiple accounting personnel overseeing the activities of the City, this resulted in an inconsistency with regards to oversight of sinking fund payments. This inconsistency resulted in several of the payments being deposited after the required 20<sup>th</sup> monthly due date. The City has implemented procedures to ensure timely depositing of all sinking fund payments.

Response to Finding 10-5:

The City will evaluate the cost/benefit of having the pension costs and net pension obligations actuarially valued and will respond accordingly. As noted in Note 14 in the financial statements, the City is currently only making payments to one spouse of a retired member. These annual payments are immaterial to the financial statements taken as a whole.

Response to Finding 10-6:

The City will continue to request information required by the contract as it has in the past.



## **OTHER SUPPLEMENTARY INFORMATION**

CITY OF FRANKLIN, LOUISIANA  
Schedule of Sewerage Rates and Billings  
(Unaudited)  
For the Year Ended April 30, 2010

		Billing Amounts
May 2009	Fee based on consumption	\$ 29,267
June 2009		22,157
July 2009		23,784
August 2009		20,782
September 2009		20,250
October 2009		21,632
November 2009		22,756
December 2009		22,507
January 2010		24,399
February 2010		21,185
March 2010		17,003
April 2010		18,692
		<u>\$ 264,414</u>

The number of system users at the end of the fiscal year was 3,077.  
The average monthly billing per user was \$7.16.

The fee is based on water consumption set at:  
\$1.60 minimum up to 2,000 gallons.  
\$1.20 per 1,000 gallons thereafter.

CITY OF FRANKLIN, LOUISIANA

Schedule of Water Rates and Billings  
(Unaudited)

For the Year Ended April 30, 2010

		Billing Amounts
May 2009	Fee based on consumption	\$ 96,521
June 2009		77,450
July 2009		95,646
August 2009		83,159
September 2009		81,084
October 2009		86,359
November 2009		87,594
December 2009		87,897
January 2010		94,868
February 2010		87,733
March 2010		72,004
April 2010		75,751
		<u>\$ 1,026,066</u>

The number of system users at the end of the fiscal year was 3,077.

The average monthly billing per user was \$27.78.

The fee is based on water consumption set at:

\$9.50 minimum up to 2,000 gallons

\$3.50 per 1,000 gallons from 2,001 to 14,000 gallons.

\$2.82 per 1,000 gallons thereafter

# CITY OF FRANKLIN, LOUISIANA

## Schedule of Insurance in Force (Unaudited) April 30, 2010

Description of Coverage	Amount of Limits	Expires	Company
Workmen's Compensation -	Statutory Louisiana Benefits \$500,000 each accident \$500,000 each employee \$500,000 each policy	7/12/2010	Louisiana Workers Comp. Corp.
Business Automobile	auto liability - \$500,000 fire vehicles - \$1,000,000	12/31/2010 10/4/2010	Clarendon National Insurance Co. VFIS
Surety Bond	\$60,000 - Mayor \$60,000 - Director of Administration \$20,000 - other employees \$60,000 - Tax Collector \$5,000 City Marshall \$1,000 Court Clerk \$5,000 City Deputy Marshall \$5,000 City Deputy Marshall	9/20/2010 9/20/2010 9/20/2010 9/20/2010 5/5/2010 10/1/2010 5/5/2010 5/5/2010	Western Surety Western Surety Western Surety Western Surety CNA Surety CNA Surety CNA Surety CNA Surety
Fire and Extended Coverage	All City Buildings - \$6,567,000	3/11/2011	Landmark American Insurance Co.
Premises Liability	Bodily Injury & Damage \$2,000,000	5/1/2010	Scottsdale Insurance
Computer Coverage	\$132,900	11/22/2010	Lloyd's London
Machinery Breakdown Policy	\$12,025,000 - Water and Sewer Plant Machinery	1/8/2011	Hartford
General Liability	\$1,000,000 Personal Injury \$50,000 - Fire Legal	5/1/2010	Scottsdale Insurance Co.
Health Benefit Plan	\$20,000 Individual Coverage \$40,000 Individual Hospitalization		Self Insured
Fire Alarm	\$10,500	5/1/2010	General Star Indemnity Co.
Commercial Property	\$1,540,000 --300 Iberia St.	3/11/2011	Landmark American Insurance Co.
Fire & Extended Coverage	\$30,900 - 517 Third St. \$41,200 - 604 Bigler St.	3/11/2011	Southern Fidelity Insurance Co.
Liability	\$126,880--Daewoo Excavator	7/2/2010	Allianz Global

CITY OF FRANKLIN, LOUISIANA

Schedule of Changes in Assets Related to  
1995 Water & Sewer Revenue Bond Debt Service  
For the Year Ended April 30, 2010

		Sinking Funds			Reserve Funds
	1995 Water & Sewer Renewal & Replacement Fund in the Utility Fund	1995 Water & Sewer Revenue Bonds	Utility Fund	Total Sinking Funds	1995 Water & Sewer Revenue Bonds
Cash, May 1, 2009	* \$ 96,384	\$ 20,795	* \$ 27,020	\$ 47,815	\$ 28,500
Cash receipts:					
Interest earned on account	959	144	155	299	336
Transfer from operating account	<u>135,321</u>	<u>28,050</u>	<u>42,569</u>	<u>70,619</u>	<u>-</u>
Total cash receipts	<u>136,280</u>	<u>28,194</u>	<u>42,724</u>	<u>70,918</u>	<u>336</u>
Cash disbursements:					
Interest and bank charges	322	4,454	5,076	9,530	-
Principal payments	-	23,000	32,000	55,000	-
Transfers to operating account	<u>38,537</u>	<u>-</u>	<u>-</u>	<u>38,537</u>	<u>336</u>
Total cash disbursements	<u>38,859</u>	<u>27,454</u>	<u>37,076</u>	<u>103,067</u>	<u>336</u>
Cash, April 30, 2010	<u>\$ 193,805</u>	<u>\$ 21,535</u>	<u>\$ 32,668</u>	<u>\$ 15,666</u>	<u>\$ 28,500</u>

\*Beginning balances are amended to reflect correct ending balances from prior year. Prior year ending balances erroneously included contingency and sinking fund cash balances for the Water and Sewer Revenue Bonds, Series 2009 A and B.